

## **Mortgage Refinancing: Hidden Opportunity in an Economic Crisis**

**00:00 Host** At this time, I'd like to go ahead and begin today's M&T Bank in Wilmington Trust webinar, Mortgage Refinancing, Hidden Opportunity in an Economic Crisis. We have two speakers for today. Dale Vermillion, founder and CEO of Mortgage Champions and George Taylor, Head of Mortgage Originations with M&T Bank. Gentlemen, welcome. George with that I'll turn it over to you.

**00:22 George Taylor, Head of Mortgage Originations, M&T Bank** Hi, everyone, thanks for joining today. I'm George Taylor, Head of Mortgage Lending at M&T Bank. I hope you're staying safe and healthy, during this difficult time. There's a lot of uncertainty across our country and communities, on several fronts. The economy is certainly part of that. With economic uncertainty and downturns like we're currently experiencing, often comes lower interest rates, including lower mortgage rates.

If you're a homeowner, now may be a good time to take advantage of these low rates and consider refinancing your current mortgage. To talk about that I'm joined by Dale Vermillion. Dale is a long-time mortgage industry expert, and consumer advocate, founder and CEO of Mortgage Champions, regularly appears on several national TV and radio shows, and literally wrote the book on how homeowners can best navigate the mortgage process. Dale, thanks so much for joining me today.

**01:16 Dale Vermillion, Founder and CEO, Mortgage Champions** Hey George, it's so great to be here. Thanks for having me. I'm super excited to talk about the opportunities out there today for refinancing, because it is a super opportunistic market and I really am excited to help the M&T customers with their refinance plans.

**01:30 George Taylor** That's great. So, Dale, as many people are managing their finances and setting goals, there's a tendency to focus on things like establishing an emergency fund, paying down credit card debt, maybe saving for a goal like a vacation, investing for college savings or retirement. And those are all really good areas to focus on when you're doing financial planning. But, for homeowners, the value of their home, and their current mortgage is a big part of the equation. Talk about why taking a set it and forget it approach when it comes to one's current mortgage, may not be the best strategy.

**02:08 Dale Vermillion** You know, George, it's such a great point and if you think about today's economy, we have gone through some serious downturns in the economy with the COVID-19 and all the things that are happening. A lot of people out there are concerned and worried about their finances. And frankly, if you look at today's economy, mortgage refinancing is probably the biggest bright spot and great news out there today. Because, it gives you an opportunity to leverage the equity within your house to actually use it for a great reason.

Look, properties' equity is a dormant asset unless you use it. And one of the great advantages of refinancing is it offers you three specific opportunities to really make a difference in your finances today and build better stability, better security, and better savings. That includes lowering monthly payments, that includes reducing terms and debt. And that can include getting cash for things like you talked about, reserves and things that really matter. And things that will literally change your life and set your family up and be very, very well protected in these times.

**03:02 George Taylor** So let's drill down a bit on each of those outcomes that you mentioned for homeowners and what they can achieve by refinancing. So let's start with refinancing to lower monthly payments. I think if I went out and polled 100 homeowners this would probably be the most popular

response given for refinancing. Lowering monthly payments and improving cash flow is certainly a good thing, but there are other benefits to this option as well, right?

**03:28 Dale Vermillion** There are, so let's think in two different terms as we talk through refinancing, because you really got two significantly unique kinds of refinances. There's a rate and term refinance, where you're simply just refinancing, to change the current payment that you have, and the current term, you are not accessing cash, you are really not changing your principal amount. You are basically just taking what you have today and lowering that payment through the historical low rates. Right now we are sitting literally at the lowest rates we've ever seen in history, we've never seen them this low before. So, to take advantage of that is really a good thing.

A cash-out refinance on the other hand is one where you're using some of that equity for purposes of cash where you can either access that cash for things like home improvements, or building reserves, which is a really important thing. I know we're going to talk more about that in just a few minutes. Or maybe replenishing funds, but it also can be used to pay off consumer debts in that process. So in a normal and typical straight rate and term refinance, the primary focus is to lower the payment.

But the one thing that I always recommend, and this is so important to understand, is that you also want to make sure at that same time, you're looking at the term of your mortgage. Because one of the beauties of M&T Bank is, we can provide all kinds of term options out there where you may be able to - take a 30-year loan you have today that has, for example, 26 years left, refinance that back into a 26 or 25 year term, lower your payments by hundreds of dollars per month, and not impact your long term benefits at all, which is a really good thing to do.

**04:55 George Taylor** Yeah, absolutely that's very helpful and I think one of the byproducts as you referenced of focusing so much on rate is the majority of homeowners select the 30 year term initially, and you mentioned refinancing to a lower term. I'm a big fan of this option, I always appreciate, when we can help customers in this way. But talk about the alignment and why it's so important to have the length of your mortgage aligned to your long-term financial goals. Why should that be top of mind for customers.

**05:30 Dale Vermillion** Yeah, great question, George. And let me tell you the reason why, first and foremost, vast majority of Americans when it comes time for retirement, our incomes are going to dramatically shift. And they're going to usually shift to be less than they are right now. You're going to see a substantial drop for most people in what your income is at retirement versus what your income is in your primary earning years.

So therefore, you want to whenever possible try to put yourself in a position of debt freedom. Everybody knows that we want to be debt free, it's the old saying we kind of live like the Seven Dwarfs, I owe, I owe, so off to work I go [LAUGH]. That's kind of the way it works for most of us consumers. What we want to try to do is we want to try to get ourselves positioned to refinance, where we take advantage of the interest rate reduction to say, look, I can probably do two things here. I can make sure that, yes, I reduce my monthly payments if that's a primary need and concern of my family, particularly in these difficult times.

But I also want to be very cognizant that when I do that, I'm not extending term if I can help it because here's the other side of that equation: Is that when you extend the term, you're actually taking the

savings that you've created in payments, but you're paying it longer term on the backside because you're re-extending term.

**06:41 George Taylor** One of the things that we do here at M&T is provide that flexibility. I know the popular terms that you hear about 30, 15, maybe 20. But we can absolutely tailor and have the flexibility to tailor the term to your current situation and your long-term objectives. What are some examples where leveraging the current equity in your home may make sense for a homeowner?

**07:09 Dale Vermillion** Well first and foremost, and when I wrote the book, *Navigating the Mortgage Maze*, and I do lots and lots of radio programs around the country constantly. And I talk about this all the time. That as a homeowner, the very first thing I want to make sure is that you have an emergency reserve fund, to protect your family and protect yourself in case of any kind of downturn in the economy or job loss or health issue. And typically if you look at what financial analysts will tell you, is to have six months of mortgage payments.

For most people that may not be feasible but you know what, two to three months is very feasible. One of the first things you want to look at, is okay do I have emergency reserves? And if not, that may be a good starting point, where you're not using up too much of your equity because you don't want to just use your equity to be using your equity. You want to use it for good reasons to protect yourself. So getting two or three months of mortgage payments into an interest bearing account, can be a really wise decision to make.

The other thing is, is you can use that for home improvements, to do things to improve the home and increase the value. That's another good reason. The one that I really, really talk a lot about is using it to pay off high interest rate credit card debts. Because what we know is that credit card debts not only are at astronomically high rates, they have no tax benefits whatsoever. And here's what we know, that by paying those off many times and leveraging those high payments, you can create much lower payments in the process.

**08:33 George Taylor** So important to have a plan. I mean, you mentioned debt consolidation, home improvement, establishing an emergency fund. All good things to talk about with your mortgage specialist, as you mentioned, and come up with a plan. And come up with the best alternative for your own unique situation, so that's fantastic. So we talked about why a homeowner may want to refinance. Why now? Won't rates stay low for a while until the economy turns around, couldn't rates go even lower than what we're seeing right now? Why is now a good time to refinance given the environment that we're in?

**09:13 Dale Vermillion** Well, [LAUGH] that's a really great question because I hear this a lot. I hear people say, well, what if it goes to zero? [LAUGH] Well, it might, but it probably won't and I wouldn't hold my breath for that. Here's the reason why you want to do it now, okay? Rates have hit, literally all time lows. I've been 37 years in the business, I've never seen these kind of rates before. We've never seen them in the last 50 years. Why would you not want to move now? And here's the deal, they may go down more. And if that happens so be it. It's like any other product we buy. We've bought things in our life many times where we bought them and then two weeks later they go on sale and we're like, aw man, but we're still happy with what we bought because it was a great deal at the time.

If you can create a substantial value for your family in creating monthly savings and payments, potentially create tax benefits, remember, there's a lot of tax deduction benefits to a mortgage loan. You want to talk to your tax advisor about that, but you might create tax benefits too. Get cash that can protect your family. And then, there's one more thing we haven't talked about George, that's really important, it's called a payment deferral. When you pay off a mortgage and refinance, remember, your first payment isn't due for 30 to 45 days after closing. So you may end up saving a 30 to 45 day window of no payments, which is additional cash in your pocket, when you consider all those factors at the super low rates today.

Waiting just doesn't make a lot of sense because they could go down, but they could also go up. We have no idea what rates are going to do. Because in this pandemic world we live in now, we don't know what the future holds. For anything, I would say the old saying make hay when the sun shines.

**10:50 George Taylor** Yeah, absolutely, and the payment deferral benefit that you mentioned is really powerful and oftentimes that gets overlooked, so that's a great point. So for all the reasons we've discussed today, it's so important to talk about. Or to talk with a mortgage specialist that can understand your unique financial situation and offer tailored solutions that really help you achieve your financial goals and overall financial plan. And to Dale's point, not just short term, but long term. An M&T mortgage specialists can absolutely walk you through the options the best that you need to fit your needs.

And really, just to revisit what we talked about Dale, we've talked about the outcomes, we can achieve by refinancing. But there are really two types, and it really comes down to whether or not you're wanting to utilize that equity or not. So there's, there's reducing the rate, reducing the term, and then the cleverly titled cash out refinance option. And those are really the two types of financing when you're talking to a mortgage specialist, that they're going to go over with you and go over the options. And that's pretty much just to simplify a lot of the options that may exist out there. It's really those two types of mortgages that exist as it relates to refi. For all the reasons we've discussed today, it's so important to talk to a mortgage specialist that can understand your unique financial situation and offer tailored solutions to help you achieve your financial goals.

Dale, I want to thank you for joining me today and I want to thank our audience for their interest in learning how mortgage refinancing and today's low rates may benefit them during these times of economic certainty.

**12:37 Dale Vermillion** It's been a real privilege and an honor. Thank you so much for having me, George. I really appreciate it.

**12:41 George Taylor** Yeah, thank you, Dale.

So if you think a mortgage refinance may benefit your financial situation, please reach out to us. Whether or not refinancing is right for you, we can talk about your situation, understand your needs, and work with you to develop a plan that could help you take advantage of the low rate environment. We offer a full suite of digital tools customers can access from anywhere, including the online application with instant pre-approval.

Simply visit [mtb.com/mortgage](https://mtb.com/mortgage), to start exploring, or, you can call 888-253-0799. Thank you for joining the conversation. Have a great day.