

When should you refinance your house?

In recent months, refinancing has accounted for a third of all mortgages. It's little wonder I'm constantly asked by my clients if they should refinance their mortgage now.

What's the attraction?

Say you financed your \$80,000 mortgage when the rates were 12 percent. By refinancing it for \$70,000 at 10 percent, you will have \$10,000 in your pocket, and your monthly payments will remain the same.

If you are paying a mortgage rate of, say, 18 percent, by refinancing at, say, 9 percent, you can slash your monthly payments, put extra cash in your pocket, or build up equity at a faster rate.

Is it that good?

Not quite. For any refinancing to be attractive, it must meet the Two-Two test. Simply stated, refinancing will probably work if you have been in your house for at least two years, if your interest is at least two points over the current rate, and if you are considering living in your house for at least two more years.

Of course, meeting this test is a necessary but not a sufficient condition for total success in your refinancing effort.

Will the real cost stand up?

The mortgage rate quoted by a financial institution is, of course, very confusing. The accompanying chart



finances
and you
**Sid
Mittra**

shows that the total initial cost of refinancing can run into thousands of dollars, thereby wiping out part of the gain associated with refinancing.

Another way of looking at the real financing cost is to remember that a 10.875-percent mortgage rate may be equivalent to an annual percentage rate of 11.309 percent.

Polsters about points

The points tacked on to your initial cost (called loan discount) cannot be fully taken as an itemized deduction in the year they are paid. Instead, they must be amortized over the life of the mortgage.

This rule should be remembered in deciding if it is better to add points merely to reduce the fixed mortgage. An interesting way of looking

at points is to think of them as an investment, not cost. That way, refinancing can be one of the best investments around. Here is why.

Say you pay three points, \$3,000, to change your 30-year, 12 1/4-percent mortgage for a new one at 10 percent, lowering your monthly payment by \$189, or \$2,268 a year.

View the sum as a return on your investment. The rate of return will vary with your tax bracket and the length of time you hold the new mortgage, but it can be impressive.

If you are in the 50-percent bracket and hold the mortgage for three years (deducting the unamortized balance when you sell the house), your annual after-tax rate of return is 34 percent.

Under the proposed tax bill, where your bracket might be 27 percent,

your rate of return will be 55 percent after three years, 64 percent after five years, and 66 percent after 10-30 years.

Educational Seminar: Main Topic "Impact of proposed legislation on your 1986 investment, tax and retirement planning." The seminar, sponsored by Observer & Eccentric Newspapers and Coordinated Financial Planning Inc. will be 7-9:30 p.m. Thursday, Sept. 11, at the Bloomfield Township Library, 1099 Lone Pine, Bloomfield Hills.

For information, call 643-8888. Sid Mittra is director of certification program in personal finance at Oakland University and president of Coordinated Financial Planning Inc.

datebook

LEADERSHIP TECHNIQUES

Friday, Aug. 8 — "Leadership Techniques for Staff Professionals" from 8 a.m. to 4 p.m. at McGregor Conference Center, Wayne State University. Sponsor: American Society of Training and Development and International Association for Personnel Women. Fee: \$75 by July 30, \$95 after. Information: Trudy Kieseewetter, 577-2403.

SMALL BUSINESS

Friday, Aug. 8 — "Marketing for Small Business" seminar offered in Detroit. Fee: \$45. Information: 577-4655. Sponsors: WSU College of Lifelong Learning, U.S. Small Business Administration, Small Business Development Center.

PROFESSIONAL SERVICES

Friday, Aug. 8 — The Society for Marketing Professional Services meets 4-5 p.m. in Detroit. Information: Adrienne Malley, 994-9123.

PROFESSIONAL SERVICES

Friday, Aug. 8 — Society for Marketing Professional Services meets. Information: Sheryl Malbach, 548-2000.

INVESTMENT EVALUATION

Tuesday, Aug. 12 — "Evaluating Investment Opportunities" will be offered from 9 a.m. to noon in Franklin. Fee: \$50. Information: 851-1114. Sponsor: Asset Advisory Services Inc.

WOMEN IN SALES

Tuesday, Aug. 12 — Professional Women in Sales will meet at 7 p.m. at the Somerset Inn in Troy. Information: Delphine Palowski, 445-8235.

EMPLOYERS GROUP

Tuesday, Aug. 19 — Employers Association of Detroit meets. Information: 342-3700.

PREBUSINESS WORKSHOP

Tuesday, Aug. 19 — Workshop for prospective business owners and new business owners offered from 8:30 a.m. to 4 p.m. in Detroit. Fee: \$10. Information: 228-7947. Sponsors: U.S. Small Business Administration, Service Corps of Retires Executives.

INDEPENDENT ACCOUNTANTS

Tuesday, Aug. 19 — Southeastern Chapter, Independent Accountants Association of Michigan meets. Information: 882-3560.

BUSINESS COMMUNICATION

Tuesday, Aug. 19 — "Making Sense Out of Your Telephone Calls" telecommunication seminar will be offered 8-10 a.m. at Room's of Michigan. Fee: \$10. Information: 644-1229. Sponsor: Oakland County Chamber of Commerce.

PROJECT MANAGEMENT

Wednesday-Friday, Aug. 20-22 — Engineering Project Management course offered from 9 a.m. to 4:30 p.m. at the Michigan State University Management Education Center in Troy. Fee: \$825. Information: Clark E. Delfaven, (800) 428-4284. Sponsor: Michigan State University.

QUALITY ENGINEERING

Saturday, Sept. 6 — Quality engineering/engineer-in-training refresher course offered Saturdays at Lawrence Institute of Technology in Southfield. Non-member fee: \$350. Information: Roderick Munce, 248-0248. Sponsor: American Society for Quality Control.

SUPERVISION COURSE

Tuesday, Sept. 9-Oct. 28 — "Basics of Supervision" offered from 9 a.m. to noon in Detroit. Fee: \$425. 2.4 hours of continuing education units. Information: 577-4449. Sponsor: Wayne State University management center.

SUPERVISION COURSE

Wednesday, Sept. 10-Oct. 29 — "Basics of Supervision" offered 6:30-9:30 p.m. in Detroit. Fee: \$425. 2.4 hours of continuing education units. Information: 577-4449. Sponsor: Wayne State University management center.

LEADER EFFECTIVENESS

Thursday, Sept. 11-Oct. 30 — "Leader Effectiveness Training" offered 6:30-9:30 p.m. in Detroit. Fee: \$495. 2.4 hours of continuing education units. Information: 577-4449. Sponsor: Wayne State University management center.

DIRECT MARKETING

Thursday, Sept. 18 — One-day seminar on new techniques and future of direct marketing offered at the Michigan Inn in Southfield. Information: Sheryl Randolph, 355-6155. Sponsor: Direct Marketing Association of Detroit.

INTRODUCTION TO PCs

Wednesday, Sept. 24 — "Introduction to Personal Computers" will be offered 8:30 a.m. to 4:30 p.m. in Detroit.

Fee: \$175. Information: Claudia, 577-4449. Sponsor: Wayne State University management school.

HOME & ENERGY SHOW

Thursday-Sunday, Sept. 25-28 — Home and energy show runs for four days in Detroit. Information: 569-8280.

BASIC SUPERVISION

Wednesday, Oct. 1 — "Basic Supervision" offered from 9 a.m. to 4:30 p.m. in Troy. Fee: \$225. Information: Clark E. Delfaven, 1-800-428-4284. Sponsor: Michigan State University.

CUSTOMER SERVICES

Monday-Tuesday, Oct. 6-7 — "How to Manage the Customer Service Department for Results" offered from 9 a.m. to 4:30 p.m. in Troy. Fee: \$595. Information: Clark E. Delfaven, 1-800-428-4284. Sponsor: Michigan State University.

BARTER EXPO

Wednesday, Oct. 8 — Barter expo in Southfield. Information: 569-8280.

PRESENTATION PREPARATION

Wednesday, Oct. 8 — "How to Organize, Write and Deliver a Winning Presentation" offered from 9 a.m. to 4:30 p.m. in Troy. Fee: \$225. Information: Clark E. Delfaven, 1-800-428-4284. Sponsor: Michigan State University.

INDUSTRIAL SHOW

Tuesday-Wednesday, Oct. 14-15 — Detroit Industrial Show runs for two days in Southfield. Information: 569-8280.

BUSINESS EXPO

Tuesday-Thursday, Nov. 4-6 — Business expo runs for three days in Detroit. Information: 569-8280.

INTRODUCTION TO PCs

Wednesday, Nov. 5 — "Introduction to Personal Computers" will be offered 8:30 a.m. to 4:30 p.m. in Detroit. Fee: \$175. Information: Claudia, 577-4449. Sponsor: Wayne State University management school.

SME CONFERENCE

Tuesday-Friday, Nov. 11-14 — Autotact '86, Society of Mechanical Engineers' annual conference and exposition on the automated, integrated factory, is in Detroit. Information: 271-0777.

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