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With the heavy media coverage of the recent significant rate cuts by the Federal government, many professional accountants are being asked by their clients whether it's a good time to refinance their mortgage. The answer, of course, is different for each client. But the total cut of 1.25 percent to the prime lending rate is significant enough that many individuals should take a closer look at their existing mortgage.

Although most public accountants are not mortgage brokers or credentialed financial planners, they seem to be a natural resource for all financial questions. As trusted financial advisors, CPAs and public accountants should be prepared for these questions. But before you have nightmarish visions of spending hours bogged down creating customized amortization schedules for your clients, you need to consider some simple ways to provide advice, or at least a general overview, to your clients.

Isaac M. O'Bannon, Technology Editor

First off, it's important to understand what this rate cut really means, says John D. McQuaig, CPA, CMC. "The first big issue is that the long-term rates have not moved that much and most refinance loans need a long-term rate change to make it worthwhile," he said. "The yield curve was almost flat a year ago, and now it has a much more normal shape to it. The reduction in short-term rates has driven that." The Wenatchee, Washington accountant is also author of the book, "*Parallel Peaks: Business Insights While Climbing the World's Highest Mountains*." (www.parallelpeaks.com)

Next, it comes down to the math of the loan. "We run break evens and cash flows. It is often quite complicated as to the analysis with the existence of prepayment penalties, interest rate floors and other factors. The actual costs can be quite different

But for the many tax, write-up, payroll and other accounting firms that do not have a specialty financial planning/analysis system, there are still plenty of options. Primarily, these are free web-based loan calculators that include amortization functions and can take into account related costs such as such as closing costs and fees, mortgage insurance, property tax changes, pre-paid points and other factors.

Geared more toward use directly by individuals, www.myfico.com (a site ran by Fair Isaac) includes current approximate mortgage rates based on credit scores, along with a large array of free calculators for many types of loans. The site also includes a function specifically for mortgages, called “Am I Better Off Refinancing?” which can guide the user through all of the pertinent contributing factors of both their current loan and a prospective new loan. It provides both text and graphical explanations of how much the individual can potentially save over the course of the mortgage.

Other online refinance calculators are at www.mortgage101.com, www.bankrate.com and www.yahoo.com/finance. Most larger banking institutions also provide financial calculators on their websites.

Most of the mortgage experts seem to be in general agreement that individuals with adjustable rate mortgages (ARMs) should look at refinancing to a fixed rate mortgage if their credit rating can qualify them for a rate that isn’t punitive. But “even those with ARMs who don’t refinance may see a little relief from the rate cuts, since their rate won’t be hiked as much when it is reset,” according to Joel Naroff, an economist with Commerce Bancorp, Inc.

It all comes back to the client’s needs, says McQuaig. “Clients really need to think about a laddered approach to refinancing. How much of their interest rate exposure should be short-term versus long-term. Will they want to prepay? What type of assets they have underlying the financing and the use of the proceeds can greatly