

What You Should Know About Mortgage Refinancing

Mortgage refinancing is a process that involves applying for a new loan in order to take the place of your current mortgage. Mortgage refinancing can be of great benefit in many situations.

Most commonly, people refinance their mortgage to take advantage of a lower interest rate, allowing them to save money over the life of the loan. In most cases however, you will have to pay lender fees and other charges that are tied in with the new loan. If you do apply for this type of mortgage refinancing, make sure that the savings from refinancing will outweigh the costs of the transaction. The time that you plan to remain in your home is important to consider, as well. Selling your home before you break even on the refinance will end up costing you more money than if you never refinanced your first mortgage.

Another common scenario is when the homeowner has an adjustable rate mortgage (ARM) and the interest rate on that mortgage "re sets" to a higher rate. If you think mortgage rates will continue to increase, replacing your adjustable rate with a new fixed rate mortgage will keep you from paying higher interest costs when the rates go up. If you think rates are likely to go down in the long term, it may be smarter to refinance into a new adjustable rate mortgage.

Homeowners who find they are unable to make their current mortgage payments may opt for mortgage refinancing as a way to extend the term of the loan and thereby lower their monthly mortgage payments. Keep in mind though that while this will help you out of a financial trouble spot, you will actually be paying more total interest for the duration of the loan. And again, if you are not able to get a lower interest rate on your new mortgage loan, the time it would take to cover the cost of the upfront closing costs could be longer than you plan on staying in the home.

When you make the decision to apply for mortgage refinancing it is important to understand how much you will save each month and what the costs of refinancing will be. To estimate whether or not its worth it to refinance, simply multiply your monthly savings by the number of months you plan to stay in you home. After that, deduct the total costs of the various fees that you will incur with the new loan. If you end up with a negative number, you will lose money on the refinancing. If you go for refinancing, you will be in a better position to either break even or save money if you live in your home for a longer period of time. Mortgage refinancing is still a far better option even if the rates on the new loan are only slightly lower than what you are paying now. See also [We" title="Related to Home equity loans">Home equity loans . Mortgage rate .](#)

About the Author

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