

## How Do I Determine If It Is Beneficial to Refinance?

Many consumers are considering refinancing their mortgages, but some do not thoroughly think through the process before jumping in. A refinance essentially trades in your old mortgage for a new one. Borrowers typically refinance to obtain a lower interest rate or change the term on the original loan. Term refers to when the loan matures. The most common term is 30 years. The Lender will examine your credit and your home will undergo the same appraisal process as when you purchased your house and applied for the original mortgage. It is likely that the appraised value has changed since the time your original loan was established. The lender also will review your credit report and credit score, as well as request a title report on the house to check if there is a second mortgage or a lien on the property. A refinance will have similar paperwork to fill out as you did when you received the original mortgage on the house. When you refinance, the new loan will be used to pay off the old mortgage and any additional loans against the house. You will have to pay appraisal fees, documentation preparation fees, title documentation fees, lawyer fees, lender fees and points (if applicable) like you did the first time you obtained a mortgage for the home.

A good number of mortgage holders who have currently decided to refinance, are doing it because the rates are so much better now than when they obtained their current home loans. When deciding if you should refinance your mortgage, you should first determine the savings you would incur over the life of the loan by using the old interest rate versus the new. Next, add up all the costs of the refinance itself. Make sure you include any penalty fees for paying off the original loan early, if applicable. Lastly, determine how long you intend to keep the property. If the interest rate for your original loan is 7.5 percent and the rates have now dropped to 5 percent, a refinance could add up to tens of thousands of dollars by the time you sell the house. If the fees to refinance will only cost \$1000, for example, it would be worth it. If you plan to sell in two years, though, it may not be worth the cost of the refinance.

The refinance of a mortgage can lower your monthly mortgage payments, making it easier to make those payments on time. You can sustain your good credit, because your monthly payments will be more manageable and more likely to be paid in full. Before jumping into any refinance, do the calculations to see if the savings over the time you plan to hold the mortgage will be greater than the costs of the refinance.

## About the Author

Learn more about home mortgage, visit .

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