

## Weighing the Costs and Benefits of Refinance Mortgage

Interest rates for mortgage loans continued to decrease the last week of March 2009. Freddie Mac started following interest rates in the 1970s and their data has never shown rates this low. The Fed recently announced that it was going to buy over a trillion dollars worth of mortgage backed securities, which resulted in a drop in rates even further. Consumers are happy to see continued low rates, as they grapple with the economic downturn. Current property owners are finding no shortage of solicitations from mortgage refinance marketers. Many are not waiting to see if the rates drop further. 2009 data shows that the number of people applying for mortgages increased several percentage points from the second to third weeks in March, and the majority of those applicants were seeking refinance. Mortgage payments can drop several hundreds of dollars a month for consumers who qualify for the lower rate offers. In this current economic downturn, most consumers are looking for ways to cut costs and one way to do that is through a refinance. Mortgage bills are the biggest monthly item for most households. For those who qualify for the new lower rate offers, the savings over time can be significant.

Refinance mortgage opportunities may seem like the golden ticket to savings, but each consumer should weigh the costs and benefits before jumping in. Doing some simple calculations can help you determine if refinancing right now makes sense for you. First, determine how much you will save each month on your payments. To do this, subtract the estimated monthly payment under the new interest rate from your current monthly payment. Your second step is to tally what you will pay to undergo the actual refinance. Mortgage origination fees, documentation costs, lawyer hours and appraisals are some examples of the costs. The third step is to determine your break even point, or when you will recoup your costs. Take the total of all the expenses you will incur to refinance and divide by how much you anticipate saving each month. You now know how many months it will be until you break even. If your break even point is less than the time you expect to own the property, then refinancing may not be such a sound financial decision. On the other hand, it is usually a good financial move to [refinance](#) if you anticipate owning the property beyond your break even point. Each home owner has unique financial and personal circumstances and goals, which means refinancing should be an individual choice. But these simple calculations give you some guidelines to help you know whether it is something you should explore. Similar References [Mortgage rate](#) . "

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