

Refinance: Mortgage Rates Are Low, So Why Not?

Is the time ripe to refinance? Mortgage interest rates have dropped so low in May 2009 that you may be tempted to refinance. But is it the best time for you?

The first sign that it is a good time to refinance mortgage loans is that the average interest rate is two or more points below the interest rate on your existing mortgage. This is a significant enough sum that most people will recoup more in savings than they will pay in refinancing fees. However, your own situation may not fit the formula. If you do not stay in the house long enough for the savings from the lower interest to equal the refinancing fees you paid, you will actually lose money from the refinance.

Lowering your monthly payment is another reason to [refinance mortgage](#) loans. If you are strapped for cash, being able to put less of your earnings into your mortgage can significantly ease your budget. You can get a lower monthly payment by taking out a regular mortgage with a longer term, which means paying more in the long term but less per month. Or, if you plan not to own your house for much longer, you can drop your monthly bills even lower by taking out a non amortizing loan. If you refinance mortgage loans via a loan that does not amortize, you pay only the accrued interest for a grace period of several years. At the end of the grace period, you must repay the capital at an accelerated pace, or may even need to pay it all off at once. However, if you sell or refinance the house before the end of the grace period, you get the benefit of lower monthly payments, and repay the balance of the loan with the proceeds from selling or refinancing the house.

If your analysis tells you its time to refinance, mortgage interest rates are ideal. On the other hand, your personal situation may not make refinancing a sound choice right now. In that case, wait to refinance; mortgage rates will dip again. Either way, rely upon your sense of your own financial situation, not outsiders opinions or articles in the paper, to decide when you should refinance. Similar pages [Refinance mortgage ...](#) [Mortgage refinancing ...](#)

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