

More Equity Required for Mortgage Refinancing

There was a large increase in the number of consumers applying for [mortgage refinancing](#) in the last month. Interest rates for a 30 year mortgage are at an almost 40 year low. Some consumers are taking a chance to see if the interest rates will be lowered more in the coming months, as others are not taking a risk and applying for mortgage refinancing now. Regardless of whether you apply for mortgage refinancing under the current rates or take a gamble, make sure you take a hard look at your finances to determine if you even qualify for a new mortgage. Lenders are requiring much more of their borrowers now. One of the factors that led to the current woes in the housing market was the slack standards many banks had regarding home loans. As a result of the credit crises and decline of the real estate market, lenders have significantly tightened their lending standards. To qualify for mortgage refinancing, consumers must have more equity in their homes now. And credit scores of applicants must be excellent to be approved. That means that, although applications for mortgage refinancing have increased, less are actually being approved than in the preceding years.

Deciding if mortgage refinancing with the current low rates makes sense for you can be confusing. First, determine if you owe more on your mortgage than your property is worth. This is the unfortunate case many homeowners who purchased in areas experiencing declining home values are in. Do not apply for mortgage refinancing if you owe more than your home is worth. And many banks are now requiring that you have at least 20 percent equity in your property before you can even be considered for mortgage refinancing. If you have enough equity in your property to apply for mortgage refinancing, then it is time to work the costs and benefits.

The first step is to calculate how much you would save each month by comparing your original mortgage interest rate to the current rate. Then work out what the total cost of the mortgage refinancing will be. You will have to pay for a new appraisal and title, lawyer fees, filing fees and any penalties (if applicable) for paying off your original mortgage early. Next, try to estimate how long you anticipate owning the property. Divide the closing costs of the mortgage refinancing by the monthly savings you would gain under the new interest rate. This will tell you how many months it will take for you to recoup the costs of the mortgage refinancing (know as break even.) It probably is not wise to undergo mortgage refinancing if that number is larger than the number of months you anticipate owning the house. If your break even point is less than the time you expect to own the property, then it is wise to consider mortgage refinancing.

Related Information [Mortgage - Home equity loans](#) -

About the Author

Get more on mortgage loans, goto [a web page I found](#).

Source: <http://tacomagarage.com>