



Refinancing Your Home

When is it worth it?

Refinancing a mortgage can be beneficial to many homeowners who bought houses when rates were high or to those that have Adjustable Rate Mortgages (ARMs). However, refinancing is not the best solution for many homeowners. There are several things that you should consider when deciding whether or not to refinance.

Remember, refinancing a mortgage means taking out a new mortgage. So, the decision to do this must be well thought out.

When It May Be a Good Idea to Refinance

- When you have a high interest rate loan and you want to take advantage of lower rates. This will only be worthwhile if you plan on staying in the home long enough to cover the cost of additional fees.
- When you have an adjustable rate mortgage and you want to change it to a fixed rate mortgage.
- When you want to convert a current ARM to one with lower rates and better payment caps.

When It May NOT Be a Good Idea to Refinance

- If you have been paying on the same mortgage for 20-30 years, refinancing may lower your payment; however, you are extending the time you will pay another 20-30 years instead of being mortgage-free within 10 years.
- If you are refinancing for more than 80% of the home's value, you will have to pay private mortgage insurance (PMI), which will increase the monthly payment.
- If your credit history is not positive, you may actually be approved for rates that are higher than what you are paying now.

- Refinancing to draw from equity built in the home to pay off unsecured debt may be harmful. You are taking unsecured debt and turning it into secured debt by attaching it to your home. If you have problems paying in the future, you could be in danger of losing the home.

Caution: If your current mortgage has any prepayment penalties, this could be a problem. If this penalty is large enough, it could negate the savings you would gain from refinancing.

The Costs Involved

- **Application Fee:** Covers the cost of processing your application and checking your credit.
- **Title Search and Title Insurance:** Covers the cost of examining the title and the title insurance policy.
- **Lender's Attorney Review:** Covers the cost of the lender's lawyer or representative that conducts the closing for the lender.
- **Origination Fees:** Cover the costs of preparing the loan.
- **Appraisal:** Covers the cost of appraising the value of the property.
- **Home Inspection:** Covers the cost of a home inspection, if required.
- **Miscellaneous:** Other fees may include survey costs, hazard insurance, mortgage insurance, points, etc.

If you check with your current lender first, some of these fees may be waived.

Are you currently on a debt management program?

Please contact our organization before making any decisions. We have housing counselors that can provide you with advice. Keep in mind that through a debt management program, your debt would be paid off in approximately five years. If you include this debt in your refinance, you will extend that payoff time to 30 years and will also be burdened with compound interest on this debt.

If you are a current client, please call 1-800-772-4557.

If you are a consumer in need of housing counseling, please call 1-866-472-4557.

Please note: The information provided here came from several sources (such as "A Consumer's Guide to Mortgage Refinancing") and was prepared by HUD and other organizations.



An Educational Message from



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make all the difference.*