

## 9 THINGS TO KNOW BEFORE REFINANCING YOUR MORTGAGE

You've already taken out one loan to buy your home. Why do it again? Because refinancing with a new loan can bring you many options and benefits.

Before you get too far along, however, make sure you understand the basics and choose the home refinance solution that benefits your unique situation.

1. **Refinancing may lower your monthly payments:** Keep an eye on the market and interest rates. Refinancing at the right time – like when interest rates drop one percent or more lower than your current mortgage interest rate – can make a notable difference in your monthly cash flow.
2. **Many other factors affect your interest rate:** Generally speaking, lower market interest rates mean you pay less over the life of your loan. But just how low your new refinance interest rate can go depends on many factors, including your credit score, market conditions and mortgage type.
3. **Refinancing may shorten your repayment period but increase your monthly payments:** You may find it's a worthy tradeoff to make higher monthly payments in order to own your home sooner – especially if interest rates are favorable. Your personal financial situation and long-term goals will help determine the right move.
4. **You can refinance to obtain cash:** Cash out refinancing allows you to get an additional lump sum of cash right away to use for major purchases, including home improvements, automobiles, vacations or weddings. However, you should compare the benefits of refinancing to other methods, including home equity loans – especially if you don't need a large amount.
5. **Know what you owe:** Determine the payoff amount on your existing mortgage to know how much you will need to borrow from a new loan. Also, find out if your current lender charges any fees or penalties for paying your entire mortgage before it's due (called prepayment).
6. **You have options:** There are numerous loan options out there for your home, ranging from loans that give you a more stable interest rate to those that help consolidate your debt. Work with a lender to determine if any option benefits you more than your current mortgage loan.
7. **Refinancing includes closing:** You will need to go through another property appraisal, as well as provide essential documents – which will vary based upon your location and loan option. Closing costs are also involved.
8. **You will need home insurance coverage and a paid receipt for your lender:** Most lenders require a paid one-year policy for hazard insurance that covers at least the amount of the mortgage. The lender will be the named mortgagee on the policy.
9. **You have time to change your mind:** By law, you have three business days after you sign your loan contract to cancel the loan for any reason. For this same reason, you do not receive any money until three days after signing the contract. This applies to primary residences only.