Now might be a great time to refinance!

Thoughts from your

Hometown Mortgage Expert

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We are told by finance experts that there are still millions of Americans whose mortgage rate is in excess of 6 percent. This might be true for a very good reason – they might be upside down equity-wise and cannot refinance. However, there are also many homeowners who are not upside down, but still have a mortgage with a rate higher than 6 percent. Are you one of them? Have you held out refinancing for one of the following reasons?

- I am too far into my loan for refinancing to make sense!
- I cannot afford to pay closing costs and do not want to add them to my loan!
- I would not lower my rate enough to make a difference!

If one of those reasons is holding you back, now just might be the time to refinance. I believe that each case should be analyzed with a mortgage professional to make sure that you are not leaving thousands of dollars of savings on the table.

Let's take a look at each scenario listed above:

I am too far into my loan – You are not required to refinance over the same term as your previous loan. I recently helped a family refinance who were 10 years into their 30-year loan. They chose a new 20-year loan, so without increasing the length of their loan, the resulting savings – over the exact same time frame they had left on their previous loan – was in excess of $30K!

I cannot afford to pay closing costs and do not want to add them to my loan – Maybe you have put off refinancing because of the $3,000-$5,000 you have heard it might add to your loan in the form of closing costs and prepaid items – or, the monies needed to establish a new escrow account. Each case is different, and if your loan amount is low (say under $50K) this may be a smart reason not to move forward. However in most cases, refinancing will save you well in excess of the amount you paid to get the new lower rate.

Here is a secret: it is possible to get most, if not all, of your closing costs rolled into your new rate – not your loan amount! This means that you can pay a slightly higher rate – still less than you are paying now – so that you will not have to increase your new loan due to the closing costs. Couple that strategy with bringing the money to establish your new escrow account to closing, and you can actually get a new loan at a lower rate and have the same loan balance you have today.

I would not lower my rate enough to make a difference – The key here is to remember that each case is personal and can be different. However, because mortgage debt is normally your largest debt, I think you should always be looking for ways to save yourself money!

Here is a real life example: I recently refinanced a client with a balance of $150K whose current loan had a 5.25 percent rate. They qualified for a rate of 4.25 percent with closing costs. However, at a rate of 4.50 percent, I was able to cover all of their closing costs and they saved $110 per month without increasing their loan balance at all!

If one of the reasons discussed above is holding you back, consider discussing your personal situation with a mortgage professional to make sure that you are not leaving thousands of dollars of savings on the table.

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