Mortgage Refinancing: It's All About Timing

When you think about Mortgage Refinance, what do you think of first? Which aspects of Mortgage Refinance are important, which are essential, and which ones can you take or leave? You be the judge.

Just like any other financial decision you have to make in your life, understanding when to refinance your mortgage will make a world of difference. Alternately, knowing when it is not a good idea to apply for mortgage refinancing will ensure that you will not get screwed with any hullabaloos in the market.

In practical terms, mortgage refinancing is about saving money on total loan amount and monthly mortgage fees but there is a good time to make a move.

The 2%-Rule
One of the best times to refinance your home is when you can get an interest rate that is two percent lower that what your current loan offers. Ideally, 2% is enough to recoup the cost of the loan. However, there are certain requirements you must meet if you want to take advantage of lower rates including your credit score and the amount of equity left in your home. Also, take note that you have to stay in your properly for a certain period of time (called the break-ever period) to recoup the cost you paid for the new loan. As a general advice, avail refinancing if the prevailing rate is low.

Clear Goal
Many homeowners wish to refinance their mortgage because they have a goal in mind. Some want to consolidate debt through refinancing. A common misconception is if making such move will pay off debt. Wrong. Entering into consolidation only restructures your debt. So if you owe $10,000 from your credit card company, refinancing will not pay them off; it will only extend it throughout the life of your loan.

Homeowners also refinance their mortgage because they want to switch from ARM to FRM. Adjustable rates can be a headache. For one thing, you cannot definitively know what would be the prevailing rate 12 months from now. So if the rate hits the lowest today, switching to fixed rate mortgage is the best idea.

It seems like new information is discovered about something every day. And the topic of Mortgage Refinance is no exception. Keep reading to get more fresh news about Mortgage Refinance.

Understanding your goal doesn't always mean you have the right to take the loan. Sometimes, understanding would mean letting go of lower rate after realizing that such move is unwise.

When to Refinance
Low rate is a good trigger to consider refinancing, but other factors have to matter. Refinancing costs money. In 2008, the national average for closing cost on a $200,000 loan is $3,118 ? according to Bankrate closing cost survey. This does not include other fees such as insurance, taxes, and other dues.

To recoup the cost and get the savings promised by your new mortgage, you have to consider how many months are you willing stay on your property. For example, your new loan will save you $150 on your monthly payment and the closing cost of your new loan is $3,118. It will take you 21 months to recoup the closing cost. Monthly savings are influenced by several factors including points, credit score and rate.

Tools
Mortgage calculators will help you determine how much savings you will get every month with your new loan. These tools are available online, free of charge.

Mortgage Consultant
Bad advice leads to bad credit debt so make sure that you consult a reputable mortgage advisor to help you know if mortgage refinancing is really for you. Consultation is usually free and you are under no obligation to continue dealing with an advisor if you feel uncomfortable with him/her.

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