

Pros and Cons of Refinancing a Home

**Credit
Advisors**
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Points to Consider

- Even if you have good credit, be wary of predatory lenders (see “Predatory Lenders” Hot Sheet on our web site), they like to take advantage of people who are trying to refinance their home.
- Do your research, the small print in your current mortgage can come back to haunt you
- Check out the refinance calculator linked from the US Department of Housing and Urban Development (HUD) web site for an initial reference
 - <http://cgi.money.cnn.com/tools/cutmortgage/cutmortgage.html>
- Make sure you discuss the prospect of refinancing with a trusted source before you go through the process
 - Credit Advisors Foundation is a certified Housing Counseling Agency, call (800) 942-9027 for more information
- Never sign any blank pages or any papers you do not **completely** understand
- If anything regarding the loan changes less than 48 hours before the loan (rate, terms, payments, etc.), walk away from the loan

To Refinance...

- You could lower your interest rate
- Maybe you could decrease the monthly payment but there is usually a cost; increased interest, lengthening of the loan, etc.
- If you have an Adjustable Rate Mortgage (ARM)
 - Consider changing it to a fixed rate mortgage, and the interest rate will not fluctuate
- If you can lower the interest by at least 1%, it may be worth the costs

Or Not to Refinance

- If you are you close to retirement or plan on selling your home soon, it may not be the right time to refinance
- If you are almost paid off.
 - You might lower your interest rate, but you won't want to take on another 30 year mortgage
- If you have a second mortgage, home equity loan or a lot of debt in general, don't take on more debt
- If you have missed mortgage payments, you may have a hard time being able to refinance
- If you have a bad credit rating!
- You can't handle the fees associated with refinancing or the fees outweigh the benefits
 - Valuation Fee, Credit Report, Escrow, Lender Fees, Origination Fees, Closing Costs, Mortgage Insurance, etc.
- If you have an ARM, many have large penalty fees if you try and pay off early

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