

Refinance Mortgage and Save

Consumers in this country are hunkering down and trying to cut costs as the economy worsens. Some simply want to save more money each month. Others need to reduce their budgets, due to unemployment or a reduction in pay. A common way consumers reduce their bills is through a refinance. Mortgage bills are often the largest monthly cost for consumers. By undergoing a refinance, mortgage loan costs can be reduced significantly. The main reason consumers refinance is to simply save money on bills. Many, however, refinance from a variable to fixed rate to achieve some financial predictability. Whatever the reason for a refinance, mortgage holders can currently benefit from some of the lowest rates the country has seen in decades. The second week of February, the average interest rate for a 30 year fixed rate mortgage hovered at 5.19 percent.

As the current rates offer a great opportunity to refinance, mortgage holders may decide now is the time. But not everyone may benefit from a refinance. You will need to do some basic math to find out if you should undergo a refinance. Your first step is to figure out the total of the actual refinancing. Things like title fees, closing costs, appraiser and lawyer fees will be added up here. Make sure you include any penalties for paying off your original mortgage and any bank fees you will have to pay to obtain the new mortgage. Your next step is to figure out how much you will save each month with the new refinanced rate. Do this by subtracting the anticipated new monthly payment from the current one. Now you know your costs and monthly savings. The third step is to determine if the costs will be worth it to you, given how long you plan to own the house after the refinance. Mortgage holders do not generally benefit, for example, if they plan to sell the house shortly after they refinance. That is because of how many months it takes them to actually start saving once the costs of the refinance have been paid. This is referred to the time when you break even. Take your total cost and divide by the amount you anticipate saving each month, and that will tell you when you will break even after the refinance. Mortgage refinancing is generally a good decision for those who expect to own the property past the point when they break even. Those who plan to sell their houses before they reach that break even point, will likely not benefit from refinancing.

About the Author

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