

Mortgage Refinancing Can Greatly Impact Your Monthly Expenses

Mortgage refinancing is all the rage at the moment. Interest rates are temptingly low now that lenders are slowly loosening credit following the economic meltdown of 2008 and 2009. The information that follows summarizes some points you need to consider before deciding whether you want to dip your toes into the mortgage refinancing waters.

The two main reasons people [refinance](#) are to either change the rate and terms of their current mortgage or to gain access to the equity in their home. Mortgage refinancing for the purpose of obtaining a more favorable rate and terms permits you to pay off your current mortgage with the proceeds from the new loan, using the same real property as security. Mortgage refinancing for this purpose allows you to either take advantage of lower interest rates or shorten the term of the loan and build equity up quicker with higher monthly principal payments. This option is particularly attractive to homeowners with adjustable rate mortgages, or ARMs, who wish to avoid upward interest rate adjustments by refinancing to a fixed rate loan. Mortgage refinancing for the purpose of accessing equity allows you to mortgage your home for an amount greater than the outstanding balance on your current loan. The excess funds, after paying off your current mortgage, any other existing liens on the property, and points and closing costs, are all yours. Many people use the proceeds to pay off outstanding credit card debt or for home improvements. The most attractive benefit of using the proceeds in this manner is that the interest is tax deductible, which would certainly not be the case as credit card and home improvement loan interest payments are not tax deductible.

Maintaining steady employment, high credit score and conservative spending habits, translated to low credit balances, will all influence your chances of getting a favorable interest rate from your lender. The lower the risk you are to the bank, the lower your mortgage refinancing costs will be. The type of mortgage product you select will also influence your interest rate. Fixed rate mortgages put the lender at risk of losing money when interest rates rise above that which you have locked into and, therefore, come with higher rates than an ARM. Term length also factors in. The shorter the length, the less the risk to the lender.

You can avoid costly mistakes by doing your homework prior to applying for a loan. Be sure that you understand the basics before committing to mortgage refinancing, and shop around until you find the best rate. Do not be afraid to ask questions.

About the Author

For the real stuff on mortgage loans, browse getsmart.com.

Source: <http://sportsmans-shop.com>