



When to Refinance

There are two good times to refinance your mortgage. The first time occurs if you have an adjustable rate mortgage and interest rates are increasing. By refinancing your mortgage, you can obtain a fixed rate mortgage and secure what your monthly payments will be as interest rates continue to rise. The second time is when interest rates are decreasing. You can lower your monthly payment by taking advantage of a lower interest rate.

When Not to Refinance

If you are considering refinancing solely because you have a cash flow issue, you need to be careful. If you extend the term of your loan or if you do not reduce your interest rate, you may solve your short term cash flow problems but you will ultimately be paying more in the long run.

Costs to Consider

In addition to interest rates, there are other factors that need to be considered when refinancing. There factors include the following: points, closing costs, and private mortgage insurance premiums.

Points: Points are prepaid fees. One point equals one percent of what you are borrowing. Typically, points are charged as part of the loan origination fee. In addition, lenders charge points for loans for interest rates below the current market rate.

Closing Costs: Closing costs include a variety of fees such as appraisal fees, title search, and recording and processing fees.

Private Refinancing Insurance Premiums: Private mortgage insurance premiums may be charged when the amount you are borrowing is greater than 80% of the appraised property value.

How do I calculate refinancing of my mortgage?

There are numerous sites that have mortgage refinancing calculators available on them. On of these sites is <http://www.forbes.com/tools/calculator/mortgage.ihtml>.

I am interested in learning more about refinancing my mortgage.

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Information sourced and obtained:

Forbes.com: www.forbes.com

AICPA 360 Financial Literacy: www.360financialliteracy.org

Virginia Cooperative Extension: www.est.vt.edu

Mortgages-Only: www.mortgages-only.com

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