

## Mortgage Refinancing Tips

Need a little extra cash to do more things around the house? The funds are there # in your house itself.

More and more homeowners are discovering the benefits of mortgage refinancing. This can be a smart step when interest rates are low. Mortgage rates are directly influenced by market interest rates. If bank interest rates are low, then mortgage rates will also be low. Of course, a lower interest rate means lower monthly payments, and big savings for you. With mortgage refinancing, you can take advantage of this basic financing concept, reduce your monthly repayments and increase your monthly savings.

Another important benefit of mortgage refinancing is that provides more flexibility to the borrower. When you refinance your mortgage, you'll be able to change your loan terms from a lengthy term to a shorter one. This way, you can pay off the principal more quickly and save a bundle in interest charges.

### Mortgage Refinancing Tips

\* Ensure that the drop in interest rates is enough to make the mortgage refinancing worthwhile.

\* Compare the total costs of refinancing, as well as mortgage interest rates. You'll be in a better position to determine whether the mortgage refinancing will actually save you money.

\* Remember that the lower the interest rate, the more points the lending institution will charge. Speak with your lender to learn about the points, and how much extra you may end up paying.

\* While shopping for a lender, be sure that they are fully disclosing all additional charges and costs that you'll be required to pay at closing.

\* A lower interest rate amounts to a lower mortgage interest deduction at tax time. This may actually increase your tax payments, and amount to an overall decrease in your total mortgage refinancing savings.

### Cost of Mortgage Refinancing

Mortgage refinancing generally involves paying off your original mortgage by signing a new loan. In essence, a refinanced mortgage acts like a typical mortgage. You'll pay most of the same costs that were incurred by your original mortgage, including settlement costs, discount points and other fees. Depending on where you live, some lenders may charge a penalty for paying off the original loan early, although this practice is prohibited in many areas.

The total expense of mortgage refinancing depends on interest rates and other costs, including the number of points. In order to offer you the lowest rates, lenders will charge several points. The total cost of these points can run between three and six percent of the total amount borrowed. For example, if you borrow \$100,000 through mortgage refinancing, your lender may charge an additional \$3,000 to \$6,000, depending on the number of points. Some lenders, however, may offer zero points at a higher interest rate. While this can significantly reduce initial costs, the monthly payments will be somewhat higher.

Mortgage refinancing can be a great way to take advantage of today's lower interest rates. Speak to your bank or mortgage broker to see if it's a smart option for you.