

Basic Mortgage Refinancing Facts

Mortgage refinancing is a wise choice if you are considering ways to lower your monthly mortgage payments or put the equity in your home to good use. However, you need to familiarize yourself with a few facts before committing to a mortgage refinancing.

One very important point to keep in mind when considering a mortgage refinancing is the status of your credit rating. Lenders typically want to assume as little risk as possible when lending money and will shy away from granting mortgage loans to people carrying high balances on multiple credit card accounts or consumer loans. Be sure to let your lender know that your reason for mortgage refinancing is to pay off those outstanding balances. The accounts may have to be paid off completely as part of the mortgage refinancing closing process.

You also need to determine your long range housing plans. A sale of your home within a year or two of mortgage refinancing will not give you enough time to recoup associated loan closing costs out of your lower monthly mortgage payments. You typically need up to two years to do so. On the other hand, mortgage refinancing makes great financial sense if you intend to remain in your home for the foreseeable future. The monthly savings are all yours once you have repaid yourself for the initial outlay for closing costs.

Homeowners tend to enter into a mortgage refinancing for a few reasons: to lower monthly expenses by locking into a lower interest rate, to combine a first and second mortgage into one loan or to access the equity in their home. Accessing equity gives you the ability to pay off credit card debt or cover the cost of planned home improvements and to deduct the interest at income tax time. You cannot deduct credit card and home improvement loan interest from your income taxes.

As with your first mortgage loan, there are certain costs associated with the closing of a mortgage refinancing. Typical mortgage refinancing loan closing costs include fees for obtaining your credit report, processing your initial application, obtaining an appraisal of your home to confirm that it is worth at least the amount of your outstanding mortgage balance, and title examination and attorney fees, loan discount points, document preparation fees, and county clerk recording and filing fees. You can deduct these costs from the loan proceeds but, as discussed above, they will not be recovered from monthly savings for at least a couple of years after mortgage refinancing. Links to more [Mortgage rates](#) | [Refinance rates](#) | [Home loan rates](#) | [Home loans](#) |

About the Author

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