

Reasons When Refinancing Your Mortgage Makes Sense

A homeowner's largest monthly expense is usually the mortgage payment. Quite often, this expense can take as much as two weeks' worth of paychecks, depending on the size of the mortgage. Unfortunately, this huge expense limits how much a homeowner can spend elsewhere.

The only way to reduce the amount of the monthly mortgage is to refinance the loan at a lower interest rate or for a longer term. Both of these strategies offer a distinct advantage over not doing anything with your home loan.

Switching to a longer term, for example, from a 15-year mortgage to a 30-year mortgage, might provide lower monthly payments, but this benefit comes with the distinct disadvantage of having to make monthly payments for a longer period of time. Refinancing the mortgage to one with lower interest rates leads to lower monthly payments without the added amount of time until the loan is paid off in full.

Interest Rates on Mortgages Have Dropped Considerably

Once the interest rates on current mortgages have dropped to at least one full point below what a borrower is currently paying, it becomes worthwhile for him to refinance. If the homeowner currently has an adjustable rate mortgage, which features varying interest rates, he might want to consider a fixed-rate mortgage instead in order to obtain a stable monthly payment amount. Homeowners holding interest-only mortgages may prefer to take advantage of the opportunity to build up equity more quickly by refinancing their existing home loan to a fixed rate mortgage with low interest rates.

Home Repairs and Improvements

Once a homeowner has established residency within the home, he may discover that the house is in need of repairs. If that is the case, a mortgage can be refinanced to include sufficient funds to pay for the necessary home repairs. The same situation applies to any desired home improvements that the homeowner wishes to make.

Financial Circumstances Have Changed

Anytime that a homeowner's source of income decreases is a good time to look into the viability of obtaining a refinanced mortgage in order to make the monthly payments more affordable. Likewise, if a homeowner comes into a large sum of money from an inheritance or the sale of property, he may wish to refinance the loan in order to obtain borrow less money, while using his funds to pay off a portion of the mortgage.

Summary: Is it ever a good time to refinance a home loan? Of course, it is. Several situations can arise that make the opportunity to refinance a mortgage desirable. Give Glenda a call at 816-763-4020 or visit our website at www.csdcu.org.