

Is Refinancing Right For You?

As Adjustable Rate Mortgages (ARMs) begin to adjust upwards along with rising interest rates, many homeowners are left to wonder how they can change or improve their current interest rates or the terms of their existing loans through refinancing. Deciding whether or not to refinance your home can be a difficult decision that requires time, money, and careful consideration. Your local NeighborWorks® organization financial counselor can help you determine whether refinancing is your best option.

What is Refinancing?

Mortgage refinancing is the process of taking out a new mortgage and getting a new one. The new mortgage pays off the higher rate loan and you're left with lower monthly payments. Refinancing includes many of the same steps, and some of the same expenses, that were involved in applying for and getting the mortgage to purchase your home in the first place. The main distinction between your purchase loan and a refinance mortgage is that no property ownership is transferred during the refinancing transaction.

You may want to consider refinancing if:

- ▶ The rates or terms of mortgages available to you now are better than the rates and terms of your current mortgage.
- ▶ You want to convert an Adjustable Rate Mortgage (ARM) to a fixed-rate mortgage.
- ▶ You would like to convert your mortgage to a shorter loan term to build home equity more quickly so that you can own your home and can be debt-free sooner.

How to Determine if Refinancing is Right for You

Through post-purchase counseling, your local NeighborWorks® organization can help you decide if refinancing is your best option by working with you to:

- ▶ Set clear refinancing objectives based on your financial goals.
- ▶ Review your loan documents for the details of your current loan.
- ▶ Evaluate the costs and benefits of refinancing. If the benefits exceed the costs, it probably makes sense to refinance. However, refinancing your mortgage can mean additional fees, including new closing costs. Keep these fees in mind while considering refinancing.

If refinancing is right for you, a financial counselor can also help you:

- ▶ Research available refinancing loan products. Remember to shop around just as carefully for refinancing as you did for your current loan.
- ▶ Avoid predatory lending practices. If it seems too good to be true, it probably is. For more information about predatory lending, review NeighborWorks® America's fact sheet, *How to Spot Predatory Lending*.

For more information about refinancing your current loan, or to receive financial counseling, contact your local NeighborWorks® organization. To find your local NeighborWorks organization, visit the NeighborWorks® America Web site, www.nw.org.

