Why Refinance Today?

The most common reason for refinancing today is to save money. Saving money through refinancing can be achieved in several ways:

-By obtaining a lower interest rate to reduce mortgage monthly payment. Mortgage interest rates are low today, especially on fixed rate programs. Checkthe current rates. It means you have a chance to improve your financial situation during crisis. For example, $400K loan amount 30-year term at 6.5% – monthly payment is $2,525.27; and at 5.5% – monthly payment is $2,271.16. To reduce your rate by 1%, you can save $257.11per month. If you are planning to move or even pay off your loan within the next few years, refinancing probably makes little sense because you won't be paying monthly bills long enough for the savings to cover the up-front closing costs. "Generally, if you can earn the costs back within two to three years, and it's a home you're prepared to stay in for much longer than that, it's usually a good thing," wrote by Greg McBride, economist at Bankrate.com. A payback period (mo.) = closing costs divided by monthly savings.

-By reducing the term of the loan to save money over the life of the loan. For example, refinancing from a 30-year loan to a 15-year loan might result in higher monthly payments, but the total interest paid during the life of the loan can be reduced significantly.

-By increasing the term of the loan from 15-year to 30-year term, if you need additional money in your pocket to pay bills. For example, $400K loan amount 15-year term at 5.5% – $3,268.33 monthly payment; 30-year term at 5.5 - $2,271.16 monthly payment. You can have additional $997.17 per month in your pocket.

-People also refinance to convert their adjustable loan to a fixed loan. The main reason here is to obtain the stability and the security of a fixed loan at a lower interest rate. "If you plan to stay in your home for years, and you are currently in an adjustable-rate mortgage, you should strongly consider a refi. ARMs are incredibly dangerous — the financial equivalent of Russian roulette, but with multiple bullets. Refinancing into a 30-year fixed-rate loan may not cut your current monthly payments by much, but it gets rid of the risk that those payments will suddenly skyrocket." – wrote by The Wall Street Journal.

-Another reason why homeowners refinance is to consolidate debts (cash-out refinance) and replace high-interest loans with a low-rate mortgage. The loans being consolidated may include credit cards, student loans, auto loans, second mortgages, etc. In many cases, debt consolidation results in tax savings, since consumers loans are not tax deductible, while a mortgage loan is tax deductible. We still have banks that allow cash-out RIFI for high Loan-to-Value (LTV) mortgages up to 90% without PMI and cash-out adjustment to par rate.