



## Is Refinancing Right For You?

When you are considering refinancing, the first question to ask is why am I doing this?

### **Lower Interest Rates**

In the best scenario, refinancing your current mortgage with a lower interest rate mortgage loan can lead to a lower monthly mortgage payment and increased cash flow. You can use the extra cash to pay down debt or save more.

You'll have to pay closing costs when you refinance so you have to consider if you will live in the house long enough to recoup those costs. Let's say that your closing costs are \$2,400 and your new monthly mortgage payment after refinancing is \$100 less than your current mortgage payment. You would need to live in the house for at least 24 months, or two years, to recoup the money you spent to refinance.

### **Transform Equity into Cash**

The decision about whether you should refinance or not gets a little tougher when you do it to transform equity into cash. Two of the most common uses for taking "cash-out" when you refinance is to do home improvements or to pay off debt.

Home improvements can be a good investment in your house because they can increase the market value of your house if you are considering selling the house. If you're not selling, the improvements add quality to your life.

If you are paying off unsecured debt like credit cards with cash-out from a refinance, be aware of your spending behavior before making the move. If, after you pay off your credit cards, you think that you will accumulate more debt on the credit cards, you might consider a different option.

### **Add Security to the Mortgage – Peace of Mind**

The type of mortgage you have and the type you are getting may make a difference too. You might choose to refinance even if you aren't going to save money on your monthly mortgage payment. Perhaps you have an adjustable rate mortgage and you would feel more secure with a fixed rate mortgage.

After you do your homework and take your notes, sit down and evaluate everything you have in front of you and determine how refinancing is going to benefit your life going forward.