Refinancing Tips

For qualified buyers, the refinance option is always on the table when choosing a mortgage for your home, the key question is when to refinance to save yourself significant money over the life of the loan.

Interest rates can fluctuate from low, medium and high rates often reflective of the current climate in the economy. When the national debt ceiling is high or teetering in a precarious position, the home loan borrower may experience a higher rate. As the market calms down and things begin to stabilize, the interest rates may take a dive.

The borrower who is contemplating a home loan refinance will do well to stay informed on market trends and be ready to refinance in a New York minute when the time is right.

Refinancing and your credit score

Another factor to consider when refinancing your property is to compare the initial loan product you signed that matched your credit score to a new lower rate offered by the banks.

Borrowers with less-than-perfect credit are subject to somewhat higher interest rates. The interest rate on a mortgage matters as to how much the total cost will be for the home over the life of the loan.

Finding a lower interest rate and getting your mortgage locked-in can save you tens of thousands of dollars on a 30-year fixed loan. As your credit score improves over time, you may be eligible for a new and dramatically lower interest rate through refinancing.

Refinancing to pull cash out

For many home owners, their piece of real estate is their cash cow to pull out some equity for an emergency.

Refinancing at a lower rate allows a borrower to take out a lump sum of cash from the home and add the balance to the end of the loan.

No matter how tempting it may be to pull cash from your home, this is one decision that should be thought out very carefully. The new loan will have a higher monthly mortgage payment and may be extended from a short-term loan to a long-term fixed loan that you will be repaying for many years with interest.

Before signing on the dotted line, be sure you are in a stable financial situation to cover the added costs.

Refinancing and cash withdrawal

One of the best reasons to pull cash from the equity in your home is to invest the dollar amount into the property's rehabilitation.

Home owners with sufficient equity that are thinking of selling their house will do well to take out a refinancing loan to get the property in better selling condition.

The wrong reason to pull cash from your home is to buy items with little to no appreciation value. This would include a brand new automobile, which will begin to depreciate as soon as you drive it off the car lot, vacations, shopping sprees, and other frivolous purchases.

Do invest into yourself with education, business start-up capital if you have a sound and viable business plan, or for emergency cash for divorce, medical or other needs.

What does it cost to Refinance?

In a nutshell, the answer is yes. Depending on the type of loan you wish to secure and which loan broker or banker handlers your paperwork, you will have to pay from one to three percent of the new loan balance to refinance.

Handing over the commission money to your agent is a fair and square deal. They will earn their cut by shopping the banks to get you locked-in to the best market rate. In addition, he or she will ensure that all your complicated paperwork is in good legal order and coordinate the deal with the banks.

Trying to refinance on your own may seem doable, but there are many bumps in the road that a skilled loan officer can protect you from. Meeting critical deadlines, arranging for an appraiser to inspect your home, and making sure the banks do not take advantage of their clients are three of the top reasons to never go it alone.

REAL ESTATE ROADBLOCKS

Whether you're a buyer or a seller, the experience of reaching an agreed-upon offer can be an extremely exciting one.

But even if you're on top of the world, be prepared to take a fall. Escrow and lending procedures and rules vary by state and sometimes by bank, leading to a number of complicated issues that can terminate a deal.

Inspections

Most purchase offers have an inspection contingency. This allows the purchaser to back out in case the home inspection reveals serious problems.

If you didn't put this contingency in your contract, you may lose the earnest money you put up at the front of the offer process. Negotiating with the seller to have the home repaired can hold up the purchase and delay the closing date.

Appraisal Issues

The bank will have the home appraised in order to protect its interest in the home. The appraisal fee generally is paid by the buyer and will help the bank make sure the home is worth at least as much as you will be paying. This gives you an idea of what you're getting into and gives the bank a value for the home in case of a foreclosure.

If the appraisal comes in too low, the seller will likely have to lower the selling price or the buyer will have to pay cash for the difference. It may be possible to get a more favorable second opinion from a different appraiser, but many banks have an in-house appraiser they use for this process.

Cold Feet

As human beings, we are allowed to change our minds. In realty however, this can have a consequence. The agreed-upon contract will outline justifiable reasons for either the buyer or seller to back out without penalty.

These reasons can include not waiving a contingency or missing a deadline. Every deal is different, and failing to hold up your end of the bargain can lead to the loss of earnest money or even legal ramifications.