

Home Refinancing Possibilities

You don't need a reason to save money. But you may be surprised to find that a good way to save a substantial amount of money is sitting right inside your home. In fact, it IS your home.

Home refinancing can help you save in a number of ways. Initially, refinancing your mortgage at a lower interest rate will cut your monthly mortgage payments. You can also choose to tap into your equity, or your home value, to consolidate and pay off other loans and credit cards. This, in turn, allows you to deduct your mortgage interest from your taxes.

How to Refinance Your Home

It's easy to understand the benefits of home refinancing, and it can be just as simple to make it happen for you.

The first thing you need to consider when refinancing your home is the current trend in interest rates. Check online or watch the real estate section of your newspaper for the current mortgage rates. You can also contact your bank or mortgage broker for this information.

Your second step to securing home refinancing should be to identify the type of mortgage you want, whether fixed rate, variable rate, or a combination of the two. If this is not your first attempt at obtaining financing for your home, then you probably know that there are actually several types of mortgages available. Remember, each type of mortgage has its own distinct advantages and disadvantages that will affect your home refinance venture.

Comparison-shopping is your third step. Compare the current interest rates to the rate of your current mortgage. Find out what your monthly payments would be with the new home refinancing rate in place. If the payments will be lower, then you should be considering home refinancing.

Using a financial calculator or an online mortgage calculator, you can use the amount owing on your loan to calculate what your new monthly payment would be by. You'll need to know the total loan amount (your current loan amount plus closing costs including points, title and escrow fees) as well as the new interest rate and the number of months in the new loan term.

To find out how much you'll save with home refinancing, subtract the new monthly payment from the amount you're currently paying each month. The remaining balance is the amount you'll save every month. When you've found the figure for your savings, divide it into the total cost of the loan, including points, title, and escrow fees. The resulting figure is the number of months it will take for you to fully recoup your investment.

Finally, determine how long you plan to stay in your home. If you intend to live in your home longer than it will take to recoup your investment, then home refinancing is probably a good idea.

Like every homeowner, you would appreciate saving a little money each month. The answer is right there, under your own roof.