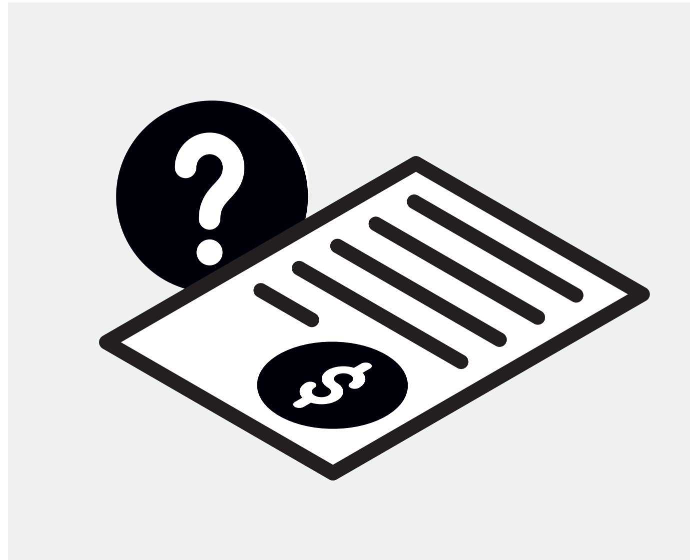
Should I refinance?

Refinancing happens when you pay off your current mortgage with money from a new mortgage.

Usually homeowners refinance to try to lower their monthly mortgage payment. For example, you might be able to get a new mortgage with a lower interest rate when interest rates fall.

Refinancing may remind you of what you went through when you got your current mortgage. You go through the same process and pay many of same costs when you refinance.



Check for warning signs before you refinance

If you check any of these boxes, it might <u>not</u> make sense to refinance your mortgage.

☐ Does your mortgage have a prepayment penalty?

Check your monthly statement to see if your mortgage has a prepayment penalty. If so, you have to pay the penalty if you refinance your mortgage.

Sometimes, you can avoid the penalty by refinancing with the lender you have now.

☐ Are you planning to move soon?

If you know you're going to move in the next few years, you might not have time to recoup the cost of refinancing.

☐ Has the value of your home fallen?

If the market value of your home is lower now than when you took your original mortgage, you might not be able to get a big enough loan now.

You might still be able to refinance through the federal government's Home Affordable Refinance Program (HARP) or the FHA Short Refinance Program. Call the CFPB at 1-855-411-CFPB (2372) to speak to a representative who can connect you to a U.S. Department of Housing and Urban Development (HUD)-approved housing counselor, or find one at makinghomeaffordable.gov.

☐ Do you have a home equity loan or line of credit?

Your home equity lender may have to approve your refinance. If it refuses, you may have to pay off your equity line first, before you refinance.

Consider refinancing only if you can meet an important financial goal

Below, you'll see common reasons for refinancing. The examples are for illustration only, to show the impact refinancing might have, now and in future.

1. Lower your interest rate and your monthly payment

When you refinance to lower your interest rate, you are signing up for a new loan with a new loan term, which could be longer. That could mean a lower monthly payment, but paying more money in total.

Interest rate	Monthly payment
6.0%	$1,199
↓ 5.5%	↓ $1,136

Interest rate	Loan term	Payment total
6.0%	25 years left on loan	$359,700
5.5%	↑ 30 years on new loan	↑ $408,960

2. Shorten the length of your mortgage

Refinancing can shorten the term of your loan. This can mean paying off the loan faster, and paying less total interest, but making a higher monthly payment.

Interest rate	Loan term	Total interest paid
6.0%	30-year	$231,640
5.5%	↓ 15-year	↓ $94,120

3. Avoid an interest rate jump in an adjustable-rate mortgage

Refinancing from an adjustable-rate to a fixed-rate mortgage can mean a higher monthly payment, but with no risk of increases in the future.

Loan structure	Payment	Future payment
Adjustable rate	Current amount	↑ Payments increase at scheduled future times
Fixed rate	Usually higher than current payment	→ No change to payments in future

More help is available

For mortgage resources, guidelines, and checklists that can help you, visit consumerfinance.gov/mortgage.