Title:
Is It Time For You To Re-Finance?

Word Count:
702

Summary:
Refinancing is on a lot of peoples minds at the moment, but is the time right for you? You can pay off debts and release equity, but are you having doubts? This article will give you some tips and pointers to help you decide if it's the right time for you to refinance.

Keywords:
refinancing, mortgage refinancing, home loan refinancing, loan refinancing, refinancing in, debt consolidation, student loan refinancing,

Article Body:
Whether or not to re-finance is a question homeowner may ask themselves many times while they are living in their home. Re-financing is essentially taking out one home loan to repay an existing home loan. This may sound odd at first but it is important to realize when this is done properly it can result in a significant cost savings for the homeowner over the course of the loan. When there is the potential for an overall savings it might be time to consider re-financing. There are certain situations which make re-financing worthwhile. These situations may include when the credit scores of the homeowners improve, when the financial situation of the homeowners improves and when national interest rates drop. This article will examine each of these scenarios and discuss why they may warrant a re-finance.

When Credit Scores Improve

There are currently so many home loan options available, that even those with poor credit are likely to find a lender who can assist them in realizing their dream of purchasing a home. However, those with poor credit are likely to be offered unfavorable loan terms such as high interest rates or variable interest rates instead of fixed rates. This is because the lender considers these homeowners to be higher risk than others because of their poor credit.

Fortunately for those with poor credit, many credit mistakes can be repaired over time. Some financial blemishes such as bankruptcies simply disappear after a number of years while other blemishes such as frequent late payments can be minimized by maintaining a more favorable record of repaying debts and demonstrating an ability to repay existing debts.

When a homeowner’s credit score improves considerable, the homeowner should inquire about the possibility of re-financing their current mortgage. All citizens are entitled to a free annual credit report from each of the three major credit reporting bureaus. Homeowners should take advantage of these three reports to check their credit each year and determine whether or not their credit has increased significantly. When they notice a significant increase, they should consider contacting lenders to determine the rates and terms they may be willing to offer.

When Financial Situations Change

A change in the homeowner’s financial situation can also warrant investigation into the process of re-financing. A homeowner may find himself making considerably more money due to a change in jobs or considerably less money due to a lay off or a change in careers. In either case the homeowner should investigate the possibility of re-financing. The homeowner may find an increase in pay may allow them to obtain a lower interest rate.

Alternately a homeowner who loses their job or takes a pay cut as a result of a change in careers may hope to refinance and consolidate their debt. This may result in the homeowner paying more because some debts are drawn out over a longer period of time but it can result in a lower monthly payment for the homeowner which may be advantageous at this juncture of his life.

When Interest Rates Drop

Interest rates dropping is the one signal that sends many homeowners rushing to their lenders to discuss the possibility of re-financing their home. Lower interest rates are certainly appealing because they can result in an overall savings over the course of the loan but homeowners should also realize that every time the interest rates drop, a re-finance of the home is not warranted. The caveat to re-financing to take advantage of lower interest rates is that the homeowner should carefully evaluate the situation to ensure the closing costs associated with re-financing do not exceed the overall savings benefit gained from obtaining a lower interest rate. This is significant because if the cost of re-financing is higher than the savings in interest, the homeowner does not benefit from re-financing and may actually lose money in the process.

The mathematics associated with determining whether or not there is an actual savings is not overly complicated but there is the possibility that the homeowner will make mistakes in these types of calculations. Fortunately there are a number of calculators available on the Internet which can help homeowners to determine whether or not re-financing is worthwhile.