

Title:

You Might Still Want to Refinance

Word Count:

517

Summary:

Even though rates are on the rise, that doesn't mean you shouldn't refinance.

Keywords:

refinance, finance

Article Body:

Even though rates are on the rise, that doesn't mean you shouldn't refinance.

Practically everyone has refinanced or thought about it at one point in time. We've seen the dozens of commercials that urge us to do it. With rates at record lows over the past few years, refinancing has helped many borrowers lower their monthly payments.

But rates are now on the rise. Refinancing applications have fallen slightly. Most people don't think you should refinance when rates are going up. However, many refinancings are "cash-out" refinancing. That means that equity is handed over to the homeowner in return for a larger mortgage. Many people need that cash.

Some people are refinancing their homes for a "cash-out" because they have a significant home-equity line of credit balance. This line of credit has an adjustable-interest rate, which is going up on them. They refinance it in with their first mortgage at a fixed rate. They aren't eliminating the debt, just fixing the interest rate and monthly payment. If you don't need the revolving line of credit, you should probably take advantage of the fixed rate.

There are many homeowners that piggyback their mortgages when they are buying. They end up with one mortgage for 80% of the value of the home and a second mortgage for 10%. They put the remaining 10% down on the home. Since the first mortgage is only for 80% of the purchase price, they avoid having to pay PMI.

Many piggybackers have a line of credit as the second loan. Others simply want to consolidate into one loan that would be easier to keep track of. Either way, refinancing into a fixed-rate isn't a bad idea. And one payment is easier to

make on time each month than two.

Those out there with adjustable-rate mortgages are starting to get a little nervous. Interest rates have been rising pretty fast. The gap between the rate of a adjustable mortgage and a fixed mortgage has narrowed so much that you really don't save much by taking the adjustable mortgage. Many are looking to avoid rising interest rates by financing to fixed-rate mortgages.

Refinancing can be a good thing. You can get a fixed rate to counter the rising interest rates. You can use cash from a refinancing to consolidate your debt. You can improve your home. But you should be careful about taking too much equity out of your home.

Many advisors warn consumers not to use their homes as personal piggy banks. If home prices decline, you could owe more than your house would sell for. In a cooling, or slowing, real estate market, you do not want to be maxed out on the equity in your home. If something happened and you had to sell, you want to walk away from the closing table with money, not have to go to it with a check. Paying to sell your home isn't how you want to do it.

Fixed-rate mortgages are always a good and solid financial choice. Anytime you are looking to refinance, your best option is to go with the shortest-term, fixed-rate mortgage you can afford.