Title:
5 Great Reasons To Refinance

Word Count:
474

Summary:
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If you plan to live in your home for a few years, it may make sense ...

Keywords:
reasons to refinance,mortgage refinance,adjustable rate mortgages,fixed rate mortgage,

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1. Lower Your Monthly Payment
If you plan to live in your home for a few years, it may make sense to pay a point or two to decrease your interest rate and overall payment. Over the long run, you will have paid for the cost of the mortgage refinance with the monthly savings. On the other hand, if you plan on moving in the near future, you may not be in your home long enough to recover the refinancing costs. Calculating the break-even point before you decide to refinance can help determine whether it makes sense.

2. Switch From an Adjustable Rate to a Fixed Rate Mortgage
Adjustable rate mortgages (ARMs) can provide lower initial monthly payments for those who are willing to risk upward market adjustments. They're also ideal if you don't plan to own your property for more than a few years. However, if you have made your house a permanent home, you may want to swap your adjustable rate

for a 15-, 20- or 30-year fixed rate mortgage. Your interest may be higher than with an ARM, but you have the confidence of knowing what your payment will be every month for the rest of your loan term.

3. Escape Balloon Payment Programs
Like adjustable rate mortgage programs, balloon programs are great when you want lower rates and lower initial monthly payments. However, if you still own the property at the end of the fixed rate term (usually 5 or 7 years), the entire balance of your mortgage is due to the lender. If you are in a balloon program, you can easily switch over into a new adjustable rate mortgage or fixed rate mortgage.

4. Remove Private Mortgage Insurance (PMI)
Zero or Low down payment options allow homeowners to purchase homes with less than 20% down. Unfortunately, they also usually require private mortgage insurance, which is designed to protect the lender from loan default. As the value of your home increases and the balance on your home decreases, you may be eligible to remove your PMI with a mortgage refinance loan.

5. Cash In on Your Home's Equity
Your home is a great resource for extra cash. Like most homes, yours has probably increased in value, and that gives you the ability to take some of that cash and put it to good use. Pay off credit cards, make home improvements, pay tuition, replace your current car, or even take a long-overdue vacation. With a cash-out mortgage refinance transaction, it's easy. And it's even tax deductible.