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Contact:
Lisa Leslie
lmleslie@ufl.edu
(813) 744 -5519 x143

Is it Time to Refinance?

By Lisa Leslie, UF/IFAS Hillsborough County Extension Agent

Mortgage interest rates are at historically low levels so you may be wondering if it is time to refinance your mortgage. Whether refinancing will be practical and economical for your particular situation will depend on many factors. Some of these factors are the refinance costs, length of time you plan to stay in your home, and your current loan to value ratio. This article will discuss some of those considerations and provide a link to further resources.

Refinancing can have advantages such as helping you build equity in your home at a quicker rate. You may consider refinancing if you have an adjustable rate mortgage and are looking for an opportunity to switch to a fixed rate mortgage. A lower interest rate can lower your monthly payments which can be helpful if income is limited. Keep in mind that lower payments spread over a longer period of time can also increase the total you pay for your mortgage.

It is generally not a good idea to refinance a home to pay off consumer debt. Cashing out the equity from your home can be expensive in the long run and can put your home at risk if you

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have an unexpected drop in income. The drop in home values and current uncertainty in regards to those values makes cashing out home equity an impractical option for many Florida homeowners.

Analyze the Fees

A lower interest rate from a refinance is one part of your consideration, but also important is the total cost of the refinance. There are many costs involved with refinancing and these can effect whether or not you will save money in the long run. Fees can include: loan origination fee, appraisal, title fees, and closing costs. If you have a prepayment penalty on your current mortgage that is another cost to consider. Mortgages advertised as having “no finance” costs may actually mean that there are no closing costs because the fees are included in the loan.

The refinance costs and the length of time you think you are likely to stay in your current home will help you calculate the break even date. The break even date is how long you will need to hold the new mortgage to break even on refinance costs.

Are You Eligible?

In the Tampa Bay area home values have dropped approximately 25% since 2006 so many people do not have much equity in their home and will be unable to refinance. This is because the lender will look at their loan to value ratio. That is how much is owed on the current home mortgage compared to the current market value. Lenders will also evaluate your credit score and income. However, homeowners who are facing foreclosure may be able to get help from a loan modification program.

Avoid Scams

Shop and compare refinance offers from several different lenders- such as banks and credit unions. Steer clear of refinance offers from predatory lenders that come in the mail disguised as government programs. For more information visit <http://tampabaysaves.ifas.ufl.edu>

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and click on the hot topics link.

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