

How much does it cost to refinance a mortgage?

Average refinance closing costs, “no cost” refinancing, and more.

Almost every home refinance comes with closing costs. These closing costs can average between 2% and 6% of the loan amount according to Forbes.com. The lender you choose, the kind of mortgage you want, and your personal finances can all affect the closing costs you pay when you refinance.

What’s included in refinance closing costs?

The closing costs of a refinance can be different for different homeowners. Closing costs vary because of factors such as property location, loan type, and loan amount. Some of the closing costs you may need to pay when you [refinance a mortgage](#) include:

Lender fees. These are the fees lenders may charge to process your refinance application. (They can also be called “application fees” or “origination fees.”) These fees can vary from lender to lender.

Mortgage Discount Points. These are fees some lenders may charge you to get a lower interest rate. For example, a lender may offer you a 2.75% interest rate but charge you discount points to get it. One mortgage discount point is equal to 1% of the loan amount. You can often choose to pay discount points to get a lower interest rate too.

Mortgage Insurance. When you refinance with a conventional loan, you will most likely need to pay for [private mortgage insurance \(PMI\)](#) if your home equity is less than 20%. You will mostly likely need to pay an upfront mortgage insurance premium (MIP) when you refinance an FHA loan.

Funding and Guarantee Fees. VA and USDA refinances don’t have mortgage insurance but they do have funding or guarantee fees you will most likely need to pay.

Homeowners Insurance and Property Taxes. You may need to pay hazard insurance premiums and property taxes as part of your closing costs.

One way to understand how much you’ll pay in closing costs is to compare the [APR versus the interest rate](#). The APR or “annual percentage rate” includes many of the costs you might pay when you refinance. When there is a large difference between the interest rate and the annual percentage rate, this can be a sign the loan has significant closing costs.

Can you get a “no closing cost” refinance?

It is possible to refinance a mortgage without paying closing costs. However, it is important to understand this does **not** mean the lender is paying the closing costs for you. Instead, lenders may pay your closing costs in exchange for charging you a higher interest rate. The closing costs in effect become part of your monthly interest payment and you’ll pay them over the life of the loan.

Lenders may also offer you refinancing with no “out of pocket” closing costs. With these refinances, you don’t pay the closing costs at settlement. Instead you add them to your loan amount. For example, if you are refinancing a \$200,000 mortgage that has \$8,000 in closing costs, your new mortgage amount will be \$208,000. The closing costs are paid off over time as part of your monthly principal and interest payment.

How much does it cost to refinance a conventional loan?

It can cost between 2% and 6% of the loan amount to refinance a [conventional loan](#). These refinances can have higher credit and financial requirements compared to other mortgages. However, you can get competitive interest rates when you have a good credit score and personal finances. You can avoid paying for mortgage insurance when you have enough home equity. And you can refinance any type of mortgage with a conventional loan. Learn more about these [home refinances](#).

How much does it cost to refinance a VA loan?

It can cost between 1% and 3% of the loan amount to refinance a VA loan according to the Mortgage Reports website. It can be easier to refinance a VA loan with the IRRRL or “streamline” program compared to conventional loans. These refinances have low funding fees. The fee for an IRRRL refinance is just 0.5% of the loan amount.

You can add many of your VA refinance closing costs to your loan so you don’t need to pay them out of pocket. If you are an existing Freedom Mortgage customer, we won’t charge you lender fees* when you refinance your VA loan! Learn more about [VA IRRRL refinances](#).

How much does it cost to refinance an FHA loan?

It can cost between 2% and 5% of the loan amount to refinance an FHA loan according to the Mortgage Reports website. FHA loans also have a streamline program that can make refinancing easier compared to conventional loans. When you refinance an FHA loan, you will most likely need to pay an upfront



mortgage insurance premium equal to 1.75% of the loan amount.

You can often finance this premium into your mortgage so you do not need to pay it out of pocket. If you are an existing Freedom Mortgage customer, we won't charge you lender fees* when you refinance your FHA loan! Learn more about [FHA streamline refinances](#).

Ask us about refinancing today!

We are ready to answer your refinancing questions! We offer refinancing for conventional, VA, FHA, and USDA loans. To speak with a Freedom Mortgage Loan Advisor call us at 877-220-5533 or [Get Started](#) online.

Freedom Mortgage is the #1 VA lender and #1 FHA lender in the United States, January to September 2020, according to Inside Mortgage Finance.

* No lender fees will be charged. However, you will be responsible for paying applicable costs or fees, such as for escrows, per diem interest, and government recording.

[NOTES & REMINDERS](#)