

## When should you refinance your home?

Find out if now is the right time to lock in a new rate.

Interest rates are on the move. That means now may be a good time for you to get a new rate. Before you make your decision, consider the potential savings and costs of a refinance. And check the loan options that may be available to you!

## How to refinance a conventional mortgage

Conventional loans are mortgages offered by private lenders without a guarantee from a government agency. You can use a conventional loan to refinance a primary home, vacation home, or investment property.

When you refinance, you pay off your existing mortgage and replace it with a new one. Because you are getting a new mortgage, you need to complete a new application and pay new closing costs. Be sure to include these new closing costs in your calculations of how much money you will save before you make your choice.

For example, if closing costs are \$3,000 and you're going to save \$200 a month, it will be fifteen months before you begin saving money from a refinance. These savings can make sense if you plan to live in your home for many years to come. But they may not make sense if you plan to sell your home soon. Your licensed Freedom Mortgage advisor can help you determine if it makes sense to refinance using a break-even analysis.

When you apply for a refinance, we review your credit history and finances, including:

- **Your credit score.** You want to make sure your credit score is high enough to qualify for a lower rate and there's nothing in your credit history that is an issue.
- **Your debt, income and payments.** We review your income and expenses to make sure you can afford the new loan. One guideline is the 28% rule – your debt should not exceed 28% of your income. Another number to consider is 36% – your mortgage payments, plus other bills/debts should be less than 36% of your pre-tax income. Also, make sure you have not been late on payments as that will reduce your chances to qualify.
- **Your home value.** For conventional mortgages, lenders like Freedom Mortgage typically want



your loan-to-value ratio to be no higher than 80%. This means that if your home is currently worth \$200,000, lenders might be willing to give you a mortgage of up to \$160,000 to refinance the house (80% of \$200,00 = \$160,000). The lower your loan-to-value ratio, the easier it can be to get approved for a new mortgage. These are general rules and your individual circumstances can vary.

## **How to refinance a VA or FHA mortgage**

VA and FHA loans are mortgages offered by private lenders with the backing of a government agency. You can only use these loans to refinance your primary home, which is the house where you live most of the time.

If you have a VA or FHA mortgage, you may qualify for a streamline refinance. Streamline refinancing allows you to take advantage of lower rates with less paperwork and no credit check. Current Freedom Mortgage customers who streamline refinance with us can also pay no lender fees\* and choose to keep their current term or extend it.

Streamline refinancing is only available when you keep the same mortgage type. You need to replace an existing VA loan with a new VA loan, or an existing FHA loan with a new FHA loan, to be eligible.

## **Ask us if refinancing makes sense for you**

We are ready to answer your refinancing questions! To speak with a Freedom Mortgage Loan Advisor, visit our Get [Started Page](#) or call us at 877-220-5533.



## **NOTES & REMINDERS**