

How to Determine if it's Time to Refinance

(ARA) - Who wouldn't enjoy a break on their monthly mortgage payment? On the other hand, how can you be sure the timing is right to refinance?

Are the rates and the current mortgage market the best indicators? What about other factors having to do with your mortgage, such as mortgage insurance and rising payment amounts?

If your first mortgage has a fixed rate, you can easily compare it to current mortgage rates and know with relative certainty whether refinancing now makes sense. In the absence of any other pressures, as long as the rate you have on a fixed rate loan is lower than current rates, you should probably stick with it.

On the other hand, if you have an adjustable rate mortgage (ARM) and rates are rising, your payment will also be increasing. In this case, consider how much rates will climb and how much more you'll be paying per month. You may consult with a financial planner or loan officer to get their opinions on market trends. With their advice, you can decide if refinancing to a fixed rate now is more beneficial in the long run.

You're probably beginning to see that the right time to refinance has more to do with you than with the mortgage market. Sure, low interest rates are a factor, but your individual situation is the greatest indicator. For example, are you paying on a loan that requires you to carry mortgage insurance? Have you built up enough equity to drop that insurance through a refinance? If so, refinancing could save you hundreds each month, even if rates have remained unchanged or have increased slightly.

Did you sign a three- or five-year adjustable rate mortgage (ARM) in the last few years? If so, be sure you know when your introductory term expires. You'll want to get a head start on refinancing your loan unless you're prepared to begin making a much higher payment. This type of loan allows you to make reduced (usually interest-only) payments for the first several years. After that time expires, the loan reverts to a regular amortized loan with principal and interest payments. Unless your income has increased significantly, these payments could be an ugly shock.

Don't wait for this unpleasant surprise! If the introductory period on your three-year, five-year, or other loan is set to expire, beat increased payments to the punch before the first one hits your mailbox.

Sometimes, lowering your mortgage payment is not the primary focus. You may be thinking about paying down some of your high-interest debt, have a child going off to college soon, or be dreaming about a newly remodeled kitchen or bathroom. Getting cash out of your home may be the ticket. You can get cash out

through a refinance that will allow you to draw against the equity in your home without taking out a second mortgage.

All of these and many others make up the list of reasons homeowners may choose to refinance their homes. Current interest rates are only part of the equation. Establish your goals, learn about your options, and make the decision that's best for you and your timetable.

When you're ready to get started, visit www.idahogreatloans.com and choose a free quote. I'll contact you and set up an appointment to go over your goals and desires. Together, we can find you the home you want at a price you can afford..

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