

State Department Federal Credit Union

Topics of Interest

Refinancing - What's In It For Me?

You own your house. You're settled in and comfortable. Then, mortgage rates come tumbling down and you wonder if it's time to refinance.

Refinancing is paying off your mortgage and securing a new one on terms that are more beneficial. But you must weigh the costs against the possible benefits.

There are three chief reasons to refinance:

1. to save money on monthly payments;
2. to build equity in your home faster; and
3. to limit the potential downsides of an adjustable rate mortgage (ARM) should rates rise.

Refinancing can also help you "own more" of your house by paying off the mortgage faster. Another reason some homeowners get a new mortgage is to increase their home loan to cover remodeling costs or to consolidate other debts.

Underlying any reason to refinance is how long you intend to keep your house. The payoff increases the longer you stay.

Refinancing costs typically include fees for an application, credit report, property appraisal, title search, and processing. You might even owe a penalty for paying off your current mortgage early.