

Does It Pay to Re-Finance?

This is a question many homeowners may have when they are considering re-financing their home. Unfortunately the answer to this question is a rather complex one and the answer is not always the same. There are some standard situations where a homeowner might investigate the possibility of re-financing. These situations include when interest rates drop, when the homeowner's credit score improves and when the homeowner has a significant change in their financial situation. While a re-finance may not necessarily be warranted in all of these situations, it is certainly worth at least investigating.

Drops in the Interest Rate

Drops in interest rates often send homeowners scrambling to re-finance. However the homeowner should carefully consider the rate drop before making the decision to re-finance. It is important to note that a homeowner pays closing costs each time they re-finance. These closings costs may include application fees, origination fees, appraisal fees and a variety of other costs and may add up quite quickly. Due to this fee, each homeowner should carefully evaluate their financial situation to determine whether or not the re-financing will be worthwhile. In general the closing fees should not exceed the overall savings and the amount of time the homeowner is required to retain the property to recoup these costs should not be longer than the homeowner plans to retain the property.

Credit Score Improvements

When the homeowner's credit scores improve, considering re-financing is warranted. Lenders are in the business of making money and are more likely to offer favorable rates to those with good credit than they are to offer these rates to those with poor credit. As a result those with poor credit are likely to be offered terms such as high interest rates or adjustable rate mortgages. Homeowners who are dealing with these circumstances may investigate re-financing as their credit improves. The good thing about credit scores is mistakes and blemishes are eventually erased from the record. As a result, homeowners who make an honest effort to repair their credit by making payments in a timely fashion may find themselves in a position of improved credit in the future.

When credit scores are higher, lenders are willing to offer lower interest rates. For this reason homeowners should consider the option or re-financing when their credit score begins to show marked improvement. During this process the homeowner can determine whether or not re-financing under these conditions is worthwhile.

Changed Financial Situations

Homeowners should also consider re-financing when there is a considerable change in their financial situation. This may include a large raise as well as the loss of a job or a change in careers resulting in a considerable loss of pay. In either case, re-financing may be a viable solution. Homeowners who are making considerably more money might consider re-financing to pay off their debts earlier. Conversely, those who find themselves unable to fulfill their monthly financial obligations might turn to re-financing as a way of extending the debt which will lower the monthly payments. This may result in the homeowner paying more money in the long run because they are stretching their debt over a longer pay period but it might be necessary in times of need. In these cases a lower monthly payment may be worth paying more in the long run.

About the Author

John Ugoshowa. You are welcome to use this article on your

website or in your ezines as long as you have a link back to <http://www.quickregister.net/partners/>

<http://www.quickregister.net/partners/>

For more information on Re-financing see the Re-financing section of Quickregister.net Free Search Engine Submission Service at:

<http://www.quickregister.net/partners/>

<http://www.quickregister.net/partners/>

Source: <http://www.articletrader.com>