

Lower Your Monthly Expenses Through Mortgage Refinancing

Mortgage refinancing is currently very much in vogue. The slow thaw of the credit market following the housing and financial crises of 2008 and 2009 is warming consumer interest by offering temptingly low interest rates. The following paragraphs summarize information you need to know before deciding whether you want to take the plunge into mortgage refinancing.

People refinance for basically two reasons, to change the rate and terms of their mortgage or to access the equity in their home. Mortgage refinancing for the purpose of obtaining a more favorable rate and terms permits you to pay off your current mortgage with the proceeds from the new loan, using the same real property as security. This type of mortgage refinancing offers you the opportunity to take advantage of more favorable interest rates or to build equity up faster by shortening the term of the loan. This strategy appeals to borrowers currently holding adjustable rate mortgages, or ARMs, who are looking to avoid an anticipated upward interest rate adjustment by refinancing to a loan with a fixed rate.

Mortgage refinancing for the purpose of accessing equity allows you to mortgage your home for an amount greater than the outstanding balance on your current loan. The excess funds, after paying off your current mortgage, any other existing liens on the property, and points and closing costs, are all yours. Two of the more popular reasons for mortgage refinancing in this manner are to pay off outstanding credit card debt or make improvements to the property. The major attraction of using the proceeds in this way is that, unlike credit card interest and home improvement loan interest, the interest on a [refinanced](#) mortgage loan is tax deductible.

Your chances for successful mortgage refinancing and a favorable interest rate increase by maintaining steady employment, a high credit score and conservative spending habits. Your mortgage refinancing costs decrease exponentially to the lending risk you pose to the bank. Another factor that influences your rate is the type of mortgage product you choose. Fixed rate mortgages cost a lender money when prevailing interest rates rise above your locked in rate and, for that reason, will bear higher rates than an ARM. Your loan term length also influences the rate, based on risk. The shorter the length, the less the risk to the lender.

You would be wise to enter the loan application process armed with good information. Be sure that you understand the basics before committing to mortgage refinancing, and shop around until you find the best rate. Do not be afraid to ask questions. Similar Articles [Mortgage rates](#) | [Mortgage calculator](#) | [Refinance mortgage](#) | [Equity loans](#) |

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