

Have you considered a mortgage refinance recently? If you haven't, you are probably missing out on a large sum of money. When done right, refinancing can lower your payments and your interest rates.

Do You Qualify?

If for the past several years in the face of uncertainty and adversity you have been able to afford your home, have kept it free of structural problems and have kept up with all the little headaches that come with homeownership then there is good news. You might be a prime candidate for a mortgage refinance.

Conforming Loan

There are some initial hurdles to get through before you refinance. Because of the changes in the economy over the last few decades, a loan application must meet the guidelines set forth by the government agencies Fannie Mae and Freddie Mac. If your application meets these requirements, it is considered a "conforming loan."

In order for it to be a conforming loan you need:

1. A 20% down payment on the mortgage
2. A good FICO credit score
3. Income history/proof of income
4. Conformance with the lending limits of Fannie Mae and Freddie Mac

Of course, there are some drawbacks to this standard. If you:

- are self-employed/private contractor
- have a low credit score because you have no debts or use few credit cards
- do not have the 20% down payment

then, even if you have no outstanding debts and pay all your bills on time, you might not qualify for a refinance.

Mortgage Broker

The answer to this small obstacle is hiring a mortgage broker. A broker will help you find an institution or individual (mortgage lenders, hedge funds, private companies willing to make mortgage loans) to refinance mortgage.

They will do everything in their power to secure your loan because there is a generous commission for them at the end of the deal. Just remember, they don't always care if you are able to pay off your mortgage or not, they just want their commission.

A Matter of Timing

Good timing is crucial when it comes to refinancing your mortgage. Let's imagine that the interest rate on your mortgage is 8% at a time when interest and refinance rates are down to 4%. That would be the perfect time to refinance. But even if you don't get a scenario like that, it would still be a good idea to think of refinancing when you can lower your interest rate by at least 2%.

Drawbacks

First, there are the fees. Sometimes they add up to the point that you don't benefit from the lowered interest and refinance rates. Also, if you have a 30-year mortgage and you take a loan out for another 30-year mortgage, then you become indebted to banks for the rest of your life. You want to focus on paying back the bank as quickly as possible.

Useful Links

Bankrate.com

Your one-stop site for bank loans, any kind of refinance calculator, up-to-date interest rates. It is packed with information on refinance mortgage and personal finance.

Interest.com

With this site you can shop around for the most affordable interest rates, seek out mortgage lenders and brokers, and use a refinance calculator. With its "First Time Buyer's Guide" you can learn about your many different refinancing options.