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# SECRETS TO **SAVE** **MONEY & AVOID** COMMON **TRAPS** WHEN REFINANCING

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# 7 SECRETS TO SAVE MONEY & AVOID COMMON TRAPS WHEN REFINANCING

Thank you for taking the time to download and read this report. In it, you will learn the **7 Secrets to Save Money & Avoid Common Traps When Refinancing**. It can be very tough to make the right choice when it comes to refinancing your home. It is not as easy as only getting the lowest interest rate possible, it is also about making sure that the loan you choose is the best fit for meeting your current and future financial objectives.

Therefore, it's important to get as much information as possible before you speak with any banks, lenders or brokers about refinancing. And that is why we've created this report to help you discover the very best deal for your unique situation.

In this report we'll go over the following steps:

- Step 1: Consider if refinancing makes sense for you
- Step 2: Find out how much it will cost for you to refinance
- Step 3: See how much you can save by refinancing
- Step 4: Determine which type of loan is best for you
- Step 5: Decide on what loan features you need
- Step 6: Choose a repayment strategy
- Step 7: Consider using an experienced mortgage broker

We hope you find this report to be both useful and helpful.

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## Step #1:

### Consider If Refinancing Makes Sense for You

Refinancing entails paying off your current mortgage with a new mortgage that could be a different loan product that could possibly come from a different bank or financial institution.

There are several good reasons why it may make sense for you to refinance, including:

- Getting a lower interest rate
- Reducing your monthly payments
- Paying off your mortgage sooner
- Getting additional features such as flexible payments or line of credit facilities
- Using the equity in your home to expand or remodel
- Converting from floating to fixed rates
- Consolidating your debt
- Accessing the equity in your home to get extra cash when you need it

If one or more of these reasons apply, it may make sense for you to refinance. But before you rush to get started, there are many things to consider so that you are making the best decision for both your current and future needs.

You should always consider the big picture when it comes to refinancing. If you plan to move in the next few years, it may not make sense to refinance, because the cost involved in paying off your current mortgage and getting a new one may exceed the savings you will get by refinancing, so you won't be better off in the long run.

But, if you are not going to move soon, and one or more of the reasons to refinance strike a chord with you, then let's get going.

First, think back to the days you were buying your first home and all the budget planning you did then – now it is time to do that again. This will ensure that you are making a financial decision based on real numbers, not assumptions and emotions that may get you into trouble. A great step to take is to go back to your original budget plan and review your income and expenses to get an accurate picture of your current financial situation.

In addition, you should get a current appraisal of your home's market value. Once you know this, you will be prepared for the next step.

**Trap:** Not doing the work required to determine if refinancing makes sense for you.

## Step #2:

### Find out how much it will cost for you to refinance

Refinancing can mean lower monthly payments, large savings on interest payments, and additional flexibility as well as access to valuable loan features that you did not have before.

But you must remember to verify that the benefits will more than pay for any costs that you will have when refinancing. Here are the most common costs you will need to consider before refinancing:

#### Prepayment Penalties

Some lenders will charge you a prepayment penalty if you want to payoff your mortgage early. Of course, many other lenders do not, so it pays to check first.

#### Borrowing Costs

These costs vary widely by lender, but some are negotiable. They can include an application fee and a home valuation fee. For example, we usually charge a \$500 loan application fee – but for a limited time we are currently offering this service for free.

#### Mortgage Insurance

If your loan to value ratio is greater than 80%, you may need to pay mortgage insurance. This insurance protects the lender if you default on your payments. The amount you pay will vary based on the lender, the size of your loan and the kind of property you own.

#### Other Fees & Taxes

In most cases you'll also have to pay other government fees and taxes that vary based on the where you live, however, these are usually the same across all lenders. And in certain cases, you may have to pay more fees to access certain loan features.

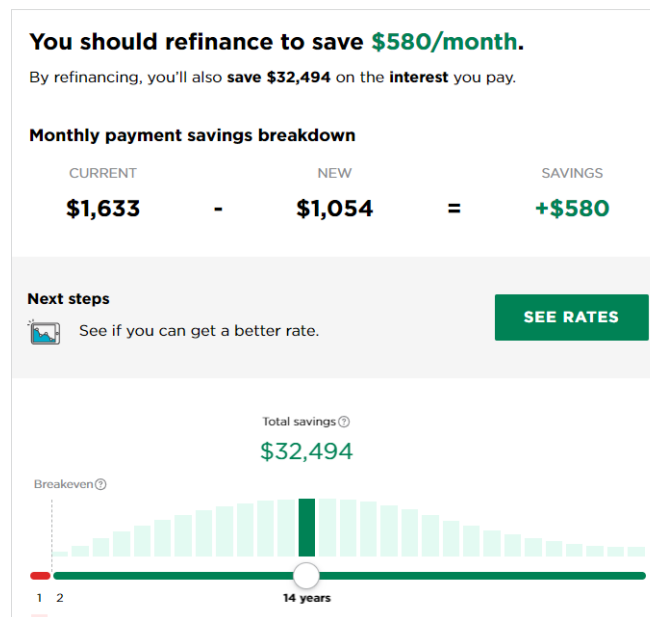
**Traps:** Falling victim to prepayment penalties. Not knowing that you can negotiate significantly lower borrowing costs. Failing to avoid or negotiate down the extra cost of mortgage insurance whenever possible.

## Step #3:

### See How Much You Can Save By Refinancing

If you want to save money on your monthly payments, locking in a lower rate when refinancing can save you tens of thousands of dollars over the life of your loan. Checkout this example:

#### Refinance calculator



#### How Refinancing Can Save Up To \$580 Per Month & \$32,494 Overall

Say you originally borrowed \$300,000 at a rate of 5.125% over 30 years and now you refinance to 3.157%. Your previous payment would be \$1,633 per month and your new payment would be \$1,054.

This would save you \$580 per month.

And you would also save \$32,494 on all the interest that you would have had to pay.

**Tip:** Use a mortgage calculator and take the time to see exactly how much you can save by refinancing.

## Step #4:

### Determine Which Type of Loan is Best for You

Which type of loan is best for you? Here are the major types of mortgages that are available and suggestions on which might work best for you:

#### Conventional Mortgage

A conventional mortgage is a mortgage that is not insured by the federal government. There are two types of conventional mortgages: conforming and non-conforming. The only difference is that a non-conforming mortgage, which may also be called a jumbo mortgage is larger than the limits set by the government. Conventional mortgages are great if you have strong credit, a steady income and long employment history, and a minimum down payment of 3 percent. While jumbo mortgages are best if you are more affluent and refinancing a high-end home. They will require more paperwork, good to excellent credit, a high income and a large down payment.

#### Government-Insured Mortgages

The U.S. government insures mortgages through three different agencies the Federal Housing Administration (FHA loans), U.S. Department of Agriculture (USDA loans) and U.S. Department of Veterans Affairs (VA loans). Government-insured mortgages are great if you have less cash savings, less-than-ideal credit, and struggle to qualify for a conventional mortgage.

#### Fixed-Rate Mortgages

Fixed-rate mortgages retain the same interest rate over the full life of your loan. This means that your monthly mortgage payment will always stay the same. They usually come in terms of 15, 20 or 30 years. Fixed-rate mortgages are ideal if you don't plan on moving for at least 7 to 10 years, because they offer a monthly payment that will not increase.

#### Adjustable-Rate Mortgages

Adjustable-rate mortgages (ARMs) have interest rates that may go up or down based on market conditions. Most ARMs have a fixed rate for the first few years before they reset to a variable interest rate for the rest of the loan. Remember to look for an ARM that caps how much your rate can be raised so you will not run into trouble if it resets higher. ARMs are ideal if you want to save big on monthly payments and plan on moving within a few years before the rate resets.

**Trap:** Choosing the wrong type of loan. Many people have learned this lesson the hard way after choosing an ARM only to have it reset to a rate they could no longer afford to pay after a few years.

## Step #5:

### Decide What Loan Features You Need

Mortgages with the lowest monthly payments tend to come with the fewest special features and the lowest flexibility. While mortgages with the most special features tend to cost more. That is why it is important to look at the mortgage as a whole and not let the interest rate be the only feature you consider. Here are the most common features that mortgages can have:

- **Lower Initial Payments:** You can get lower starting payments by choosing an ARM, but the catch is that the payment can go up later.
- **Interest-Only Payments:** You can get the lowest payments by selecting an interest-only mortgage, this may be ideal if you plan on moving soon.
- **Longer Payment Terms:** If do not plan on moving for a long time, this will give you lower monthly payments, but it will take longer to repay your mortgage.
- **Shorter Payment Terms:** If you want to be mortgage-free sooner, rather than later, this might be a good choice for you.
- **No Prepayment Penalties:** If you plan on moving, paying off your mortgage early or refinancing again in the future, you may want to look for a mortgage that does not a prepayment penalty.
- **Cash-Out Refinancing:** If you need cash to renovate or expand your home, to invest in your business, to consolidate debts or for other needs, this will allow you to tap the equity of your home to get extra cash.

Loan features can vary widely from lender to lender. Some will save you money and others will cost you money, so if they cost you money, it's important to think about if you will actually end up using these features or not.

If you have debts like credit card debt, student loans or other personal loans, sometimes it may make sense to fold them into your refinancing, so that you can take advantage of lower rates and better terms. Many people can save a lot of money when they payoff high interest rate debt like credit cards using low interest rate money that comes from refinancing.

And it is easier to pay one mortgage bill per month than multiple bills from all these other loans.

**Trap:** Getting stuck paying for features that you won't end up using. Taking out an interest-only mortgage and not having a plan for when you will need to pay principal. Not knowing the negative consequences of loan features.

## Step #6:

### Choose a Repayment Strategy

Most people will simply pay the minimum monthly payment of their mortgage each month. But by making a few tiny sacrifices you could end up saving thousands of dollars and payoff your mortgage many years ahead of time. Let's review some of the strategies that you can use to save a ton of time and money:

#### The Twice a Month Strategy

Instead of paying once per month, cut your payment in half and pay it every two weeks. This can allow you to repay your mortgage up to 6 years sooner. It works by reducing the total amount of interest you must pay and taking advantage of the fact that you barely notice that you've paid the equivalent of one extra month per year.

#### The Savings-HELOC Strategy

Instead of earning as little as 0% interest that some stingy banks pay for your savings, save up to 4% or whatever your mortgage rate is by using your savings as a deposit to reduce your loan amount and combining it with a home equity line of credit that you only draw on if you need the extra cash. Cutting the size of your loan cuts the size of your monthly payments and reduces the total amount of the interest you'd have to pay. And if you ever need access to your savings you can get it when you need it from your home equity line of credit (HELOC).

#### The 10% Extra Strategy

Simply add an extra 10% to every monthly payment that you make towards your mortgage. An extra 10% is a small sacrifice, but it can result in thousands of dollars of savings on interest and may allow you to pay off your mortgage up to 7 years sooner.

Of course, some of these strategies will require certain features that may not be available on your current mortgage. But since they can save you so much money and allow you to pay off your mortgage so much sooner, it may be worth it to refinance, so that you can use them. And they are even more powerful if you use several of them at the same time.

**Tip:** Use one or more of these strategies to save thousands and pay off your mortgage sooner.

## Step #7:

### Consider Using an Experienced Mortgage Broker

Many people are tempted to refinance on their own without using a mortgage broker. But something they don't realize is that in most cases using a broker is totally free, because you don't pay the broker. The lender is one who pays the broker. And this doesn't mean that they simply add the cost on to your new mortgage. Lenders know that if they do this, their loans will cost more than their competitor's loans and they will lose your business to their competitors.

So, given that you won't pay any fees to use a broker, why not use one?

#### Save Time and Frustration

Evaluating hundreds of mortgage options can be a huge time suck, especially when most are likely to be unsuitable for your unique situation. Your broker can do all of this legwork for you and make it much easier for you to get the loan that is perfectly suited for your needs. And as soon as you pick the loan you want; they'll even handle the huge stack of paperwork so that you won't have to do it all by yourself.

#### Get More and Better Choices and Deals

Some brokers, such as us, have access to a much wider range of deals than you'll be able to get on your own. A great broker will find solutions customized for your needs and even negotiate better deals with lenders than you could do on your own.

#### Avoid Being Blindsided

A good broker has refinanced hundreds of mortgages and has seen nearly everything that can go wrong and knows how to prevent things from going sideways. It's likely that you've only been through the process a few times and could easily get blindsided by a problem you've never expected. An expert broker can protect you from issues that you could not have even imagined.

As you can see, using an experienced mortgage broker can be highly beneficial to you and won't cost extra. They will save you thousands of dollars. They will help you avoid all the pitfalls of refinancing. And they will save you countless hours of time and frustration.

With that said, it is important that you choose the right broker. We understand that refinancing your home is a daunting task. That is why we stand by ready to help you through it. All of our consults are completely free of obligations, and we are happy to answer all of your questions and give you all the information you need to make a solid choice without having to deal with a sleazy, pushy salesperson.

## Need Help Making the Right Decision?

We've covered a ton of information here. So, if you have any questions at all, we are more than happy to chat and answer all of them for you. We'll even review your current situation, objectives and obstacles, and suggest which refinancing option might be best for you.

Don't worry, our consults are completely free and do not obligate you to work with us. You'll get to speak with one of our Refinancing Specialists who can answer all of your questions and help you make the best decision.

And if you want, we will even give you a no-cost 30-minute Refinance Review (usually \$500) totally free.

To talk with one of our Refinancing Specialists, call us at **(866) 373-9906** Monday through Friday 8 am to 5 pm or [click here to schedule a time to talk](#) that works best for you.

**HomeownerHelperHQ.com**

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