

# Refinance Do's

**DO** Talk to and compare multiple lenders. You want to compare the interest rate as well as the lender fees. Look at the individual loan officers' reviews. Is this someone you can trust? You need an expert, not a salesperson.

**DO** Ask lots of questions. In many cases, a lender tells a homeowner they can save \$250 a month and the homeowner agrees to move ahead, but the lender leaves out that the homeowner is paying tens of thousands of dollars in closing costs to get that lower rate. Always have the lender show you what the interest rate would be with no discount points and no origination points. If it is the same or only 0.25% lower than what you have now, it is not the time to refinance.

**DO** Have the lender show you the math on how long it will take the refinance to pay itself off. For instance, if you will save \$250 a month but the cost to refinance is \$15,000, it will take more than five years for the refinance to make sense. I generally want to see the refinance pay for itself within one year.

**DO** Watch out for red flags. If a lender says you should refinance and you can skip two payments, it is a red flag. The lender is always charging you interest. If a lender says "not out of pocket," that does not mean no closing costs. They are likely to increase your loan amount to cover the refinance costs as well as the interest. Watch out

**DO** Look at other loan options. For instance, if you have a 30-year fixed loan but you pay more every month, look into a 20-year loan. Generally, 20-year and 15-year fixed loans have lower rates than a 30-year. If you are used to paying more monthly, this can be a great way to decrease the time you have a mortgage and get a lower rate.

# Refinance Don'ts

**DON'T** take cash out of your house unless you really need cash. Cash-out refinances generally have higher interest rates. If you are taking out cash to pay off high-interest debt, it can make sense, but never take out cash just because the lender says you should. Always make sure to ask the lender what the rate would be with no cash out, and compare it to another lender.

**DON'T** stop making your mortgage payments while you are refinancing. Until the refinance is closed, you need to keep making your mortgage payments.

**DON'T** work with a lender that calls you out of the blue when you have never reached out to them. There are loan officers who buy your name and number and just cold call, looking for someone they can sell to. Work with a trusted loan officer and research who you are working with.

**DON'T** believe the rates you get in the mail. Mortgage rates change every day, so if you get something in the mail with a specific rate, it is just a teaser rate designed to get you to call. Always read the fine print. When you do, you will see that the rate is not valid and would cost a lot in discount points.

**DON'T** work with a loan officer that is bullying you to refinance. If they are aggressive, harassing, and pushing you to move forward, walk away. A good loan officer will always present the options, answer your questions, and give recommendations, but they will never bully you.

**DON'T** switch from a 30-year fixed rate to an adjustable-rate mortgage just because the loan officer said it was a good idea. Only switch into an adjustable rate if you fully understand the product, since they do have risks. Generally, loan officers will recommend an ARM when rates have not dropped enough yet on a 30-year for the refinance to be attractive to you.