

Home Refinancing Tips

Is now the right time to refinance?



Introduction

At this point, you know refinancing could help you in a number of ways. Maybe you've even pinned down why you want to refi. Chances are, you want to lower your rate to lower your monthly payments, shorten your loan term to save on interest over the life of your loan, consolidate your debt, or obtain cash for some major expenses you see coming down the line.

A mortgage refinance is all about making your home work for you. So however you wish to refi, you've got options. This guide will help inform you on which loan will be right for achieving your home financing goals.

The Loan Option Breakdown

Before we jump into the real nitty-gritty of your refinance, let's lay out the loan options available to you, along with some related words for each loan. There might even be a few you've never heard of! That's okay. This is just the beginning of comparing each refi option.

Fixed Rate Mortgage: Stable interest rate and monthly payment throughout the life of the loan. 10-, 15-, 20-, 25- and 30-year options are typically offered.

Associated words: popular, stable, for the long haul

Adjustable Rate Mortgage: Low interest rate for the first 5, 7, or 10 years. Following that initial term, your rate and monthly payment could fluctuate based on prevailing interest rates.

Associated words: fluctuate, advantageous

FHA Loan: Government-insured loan program with low credit requirements and closing cost flexibility. 15- and 30- year options are typically offered. Popular among first-time homebuyers and those who are looking through a low down rate.

Associated words: flexible, affordable, government-insured

FHA Streamline Refinance: Exclusively for existing FHA loan borrowers, this option offers benefits that make the refi process much faster to complete.

Associated words: exclusive, flexible, seamless

VA Loan: Loan option exclusively for those affiliated with the military: active duty personnel, veterans, reservists, National Guard members, or surviving spouses are eligible. This loan has low credit requirements and closing cost flexibility.

Associated words: military, exclusive, affordable

VA Streamline Refinance: Exclusively for existing VA loan borrowers, this option offers benefits that make the refi process much faster to complete.

Associated words: military, exclusive, seamless



Which Loan Option is Right For You?

Now that you have a general idea of the home loans you can choose from, it's time to determine which of these options will be right for what you want out of your refinance — including which works for your living situation and financial status.

Before you start comparing loan options, familiarize yourself with these mortgage terms. Each will play a vital role in this section, and ultimately your refinancing decision.




Credit score: A three-digit number that reflects your creditworthiness. The number considers your payment history, amount owed, length of credit history, and other factors.

Debt-to-income ratio (DTI): The calculation of your total gross monthly debts divided by your total gross monthly income. The smaller the percentage, the better.

Closing costs: Home financing fees charged to the homebuyer/homeowner at the point of closing on the loan. Included fees are: loan processing fee, origination fee, underwriting fee, and more.

Loan-to-value (LTV) ratio: A percentage indicating what you owe on a mortgage compared to the current value of the home.

Next is our home loan comparison chart, broken down by their requirements, benefits, and the situations in which each might make sense for you.

Loan Option	The Requirements	The Benefits	Right For Your Situation If
 <p>Fixed Rate</p>	<p>Typically, a credit score of at least 620, DTI between 40-50%, and a maximum LTV of 80% (mortgage insurance required if over 80%).</p>	<p>A fixed interest rate, stable monthly payments, flexible terms, and can cash out with as little as 20% equity.</p>	<p>You want a lower rate, you have an ARM and want a fixed rate, you want to shorten your loan's term, or you want to get cash out.</p>
 <p>Adjustable Rate</p>	<p>Typically, a credit score of at least 620, DTI between 40-50%, and a maximum LTV of 80% (mortgage insurance required if over 80%).</p>	<p>Lower rates and payments in the initial term and rate caps to limit how much your rate can increase both yearly and over the life of your loan.</p>	<p>You plan to move or refi (again) before the rate adjusts, or you're expecting a boost in income soon.</p>
 <p>FHA Loan</p>	<p>A credit score of at least 580, DTI between 40-50%, and maximum LTV of 97.75% for non-cash-out and 85% for cash-out.</p>	<p>Lower rates than conventional loans, can refi with as little as 2.25% equity and cash out with as little as 15% equity.</p>	<p>You don't have a down payment or enough equity for a conventional loan, and/or your credit score and/or DTI ratio needs improvement.</p>
 <p>FHA Streamline Refinance</p>	<p>Must have an existing FHA loan, made on-time payments for the last 6 months, and at least 210 days have passed since closing.</p>	<p>Lower rates than conventional loans, reduced credit requirements, and no appraisal needed.</p>	<p>You have an FHA loan and there's a financial benefit to refinancing, like a lower payment or shorter term.</p>
 <p>VA Loan</p>	<p>Must be part of the military at some point during career, a credit score of at least 620, and a DTI around 40%.</p>	<p>Lower rates than conventional loans, multiple loan terms and types, and 100% LTV for cash-out and non-cash-out.</p>	<p>You don't have enough equity to refi to a conventional loan and/or your credit score or DTI ratio needs improvement.</p>
 <p>VA Streamline Refinance</p>	<p>Must have an existing VA loan, be current on mortgage payments, and have no more than one 30-day late payment within the last year.</p>	<p>Lower rates than conventional loans, no minimum credit score, and no appraisal needed.</p>	<p>You have a VA loan and there's a financial benefit to refinancing, like a lower payment or shorter term.</p>



Fixed Rate

The requirements:

- Credit score of at least 620
- Debt-to-income ratio between 40-50%
- Maximum LTV of 80% (for cash-out and non-cash-out)

The benefits:

- Low, fixed interest rate
- Stable monthly mortgage payment (making budgeting easier)
- Flexible terms, ranging from 10 to 30 years in 5-year increments
- Cash out with as little as 20% equity

Right for your situation if:

- You have a high interest rate and want to lower it
- You have an adjustable rate mortgage and would prefer the stability of a fixed rate
- You want to shorten your loan's term (e.g., from a 30-year to a 15-year rate)
- You want to get cash out (for home improvements, consolidating debt, and college tuition)



Adjustable Rate

The requirements:

- Credit score of at least 620
- Debt-to-income ratio between 40-50%
- Minimum down payment of 5% (requires mortgage insurance)
- Maximum LTV of 80%

The benefits:

- Lower rates and payments in the initial term
- Rate caps to limit how much your interest rate can increase both yearly and over the life of the loan

Right for your situation if:

- You plan to move or refinance (again) before the rate adjusts
- You're expecting a boost in income soon
- You can handle the uncertainty of the market



FHA Loan

The requirements:

- Credit score of at least 580
- Debt-to-income ratio between 40-50%
- Maximum LTV of 97.75% for non-cash-out
- Maximum LTV of 85% for cash-out
- Private mortgage insurance required (upfront and monthly premium)

The benefits:

- Lower rates than conventional loans
- Refi with as little as 2.25% equity
- Cash out with as little as 15% equity

Right for your situation if:

- You don't have a down payment or enough equity for a conventional loan
- Your credit score and/or DTI ratio needs improvement



FHA Streamline Refinance

The requirements:

- Must have an existing FHA loan
- Made on-time payments for the last six months
- It's been at least six months since your first payment due date
- At least 210 days have passed since closing on the loan being refinanced

The benefits:

- Lower rates than conventional loans
- Reduced credit requirements
- No appraisal needed
- A quicker process (hence the name)

Right for your situation if:

- You have an FHA loan and there's a financial benefit to refinancing, like a lower payment or shorter term



VA Loan

The requirements:

- Must meet VA eligibility requirements
- Credit score of at least 620
- Debt-to-income ratio around 40%

The benefits:

- Lower rates than conventional loans
- Offers multiple loan terms and types (fixed and adjustable)
- No mortgage insurance required
- 100% LTV for cash-out and non-cash-out
- An assumable mortgage

Right for your situation if:

- You don't have enough equity to refi to a conventional loan
- Your credit score and/or DTI ratio needs improvement
- You want to take advantage of the exclusive benefits



VA Streamline Refinance

The requirements:

- Must have an existing VA loan
- Must be current on mortgage payments
- No more than one 30-day late payment within the last year

The benefits:

- Lower rates than conventional loans
- No minimum credit score.
- No appraisal needed
- A quick process (hence the name)

Right for your situation if:

- You have a VA loan and there's a financial benefit to refinancing, like a lower payment or shorter term



We had a feeling you'd like having a complete picture of your refinancing options and the requirements, benefits, and situations in which each would suit you. You may have already identified a loan that will suit your refinance.

Regardless of where you are, why not learn even more about these refinancing options and what else we can do for you? Contact us or give us a call at **1-888-673-5521** and speak to one of our Home Loan Specialists.

