

## Applying For Mortgage Refinancing

Mortgage refinancing is a process that entails signing up for a new loan as a way of replacing a previous existing mortgage. The most common application of this is taking out a home loan and using some or all of the money to pay off the old loan. The reason why most people do this is because new loans sometimes offer lower interest rates than the old loan, allowing them to save some money in the process.

There are actually two scenarios wherein mortgage refinancing is a good idea. The first one is when you currently have an adjustable rate mortgage and the interest rates increase. Applying for a new fixed rate mortgage in order to replace the old one will keep you from paying higher interest costs when the rates go up.

The other situation is when a new lower interest rate mortgage can actually result in you saving some money. If you do apply for this type of mortgage refinancing arrangement, you will have to make sure that you have enough money every month in order to pay the costs of refinancing while you go on living in your home. Selling off your home before the mortgage refinancing period is over will mean that you won't be saving any money at all.

Many people who are currently in the midst of experiencing problems with money opt for mortgage refinancing as a way to extend the terms of the loan in a bid to lower their monthly mortgage payments. Although this can help you get through a difficult period financially speaking, it is generally not a good idea because the long term interest payments will actually be higher. If you are not able to get a low enough interest rate on your new mortgage refinancing loan for instance, the breakeven to cover the cost of the upfront closing costs could be longer than you plan on staying in the home.

When you make the decision to apply for mortgage refinancing and figured out what the costs of this refinancing will be, you can figure out how long it will take you to pay off all the refinancing costs. To do this you simply have to divide the total of the points and closing costs that you have paid by the projected monthly savings that the new loan will give you. Even if the rates that you will pay on the new loan is only a little bit lower than what you are currently paying, mortgage refinancing may still be a beneficial course of action.

## About the Author

You can learn more about [refinancing](#) at GetSmart.com or visit your local bank.

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