

Tips On Comparing Mortgage Refinancing Rates

Think the mortgage rate you are considering is too good to be true? It's probably a teaser rate. Is mortgage refinancing with a teaser rate a mistake, or can you leverage this lower interest rate to your advantage? Here are several mortgage refinancing tips to help you decide if that lower introductory interest rate is right for you.

Careful comparison shopping when mortgage refinancing will save you money and many future headaches. Comparing loan offers from a variety of mortgage lenders allows you to choose the mortgage with the most competitive fees, interest rate, and closing costs. When you shop for mortgage offers it is important to request stated income, "no-obligation" quotes so the lenders do not access your credit reports until you are ready to submit the application.

Teaser rates are usually used to promote products that are better for the lender than they are for the homeowner; however, they can be useful in certain situations. If you need short-term financing while you sell your home, a teaser rate could save you money. Make sure the loan does not include a penalty for early repayment as this would eat up your savings with an unnecessary fee.

When refinancing a mortgage loan, homeowners have several loan options. Usually, homeowners refinance to lock in a low fixed rate. This way, mortgage payments remain predictable. Many select adjustable rate mortgages below of their low introductory rate. If homeowners choose a mortgage loan with an adjustable rate (ARM), they should anticipate changing rates. If rates falls, ARM's pose little threat. However, if rates increase, so does the mortgage payment.

Before applying for a refinancing, homeowners should do their research and familiarize themselves with the refi process. For example, refinancing involves paying closing fees. Thus, homeowners ought to have a cash reserve or select a mortgage loan that includes the option of wrapping the closing fees into the principle balance.

About the Author

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