



# MORTGAGE REFINANCING

EVERYTHING YOU NEED TO KNOW  
TO REFINANCE YOUR MORTGAGE

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# WHAT IS MORTGAGE REFINANCING?

Mortgage refinancing involves replacing your current mortgage with a new loan that has different terms. When you refinance, you essentially pay off your existing mortgage with the proceeds from a new loan. This process can offer homeowners various benefits, such as securing a lower interest rate, reducing monthly payments, accessing home equity, shortening the loan term, or converting an adjustable-rate mortgage to a fixed-rate one. By refinancing, you can tailor your mortgage to better fit your current financial situation and long-term goals.





# Benefits of Refinancing Your Mortgage

*Refinancing your mortgage can provide several financial advantages, helping you improve your financial situation in various ways. Here are some key benefits:*



- 1 Lower Interest Rate:**  
By securing a lower interest rate, you can reduce your monthly mortgage payments & potentially save a significant amount of money over the life of your loan.
- 2 Shorten Loan Term:**  
Refinancing can allow you to shorten the term of your mortgage, such as moving from a 30-year to a 15-year loan. This can help you pay off your mortgage faster and save on interest payments.
- 3 Consolidate Debt:**  
If you have multiple high-interest debts, refinancing can help you consolidate them into one manageable loan, potentially lowering your overall interest expenses.
- 4 Switch Loan Types:**  
You can convert your existing adjustable-rate mortgage (ARM) into a fixed-rate mortgage, providing you with more stability and predictable monthly payments.
- 5 Access Home Equity:**  
If you have built up equity in your home, refinancing can allow you to tap into this equity and access cash for major expenses, such as home renovations, education costs, or debt consolidation.
- 6 Simplify Multiple Mortgages:**  
If you have multiple mortgages, refinancing can help you combine them into a single loan, making your finances easier to manage.



## TYPES OF REFINANCING

# Rate-and-Term Refinance

A rate-and-term refinance allows you to change the interest rate and/or the loan term of your existing mortgage. The primary goal is to reduce your monthly mortgage payments or pay off your mortgage faster.

- **Lower Monthly Payments:** Secure a lower interest rate to reduce your monthly mortgage payments, helping you save money each month.
- **Shorter Loan Term:** Refinance to a shorter loan term to pay off your mortgage sooner and save on interest charges.
- **Fixed Rate:** Convert an adjustable-rate mortgage to a fixed-rate mortgage for stable monthly payments and protection from future interest rate increases.



## TYPES OF REFINANCING

# Cash-Out Refinance

A cash-out refinance lets you take out a new loan larger than your existing mortgage, allowing you to receive the difference in cash. This can be useful for various purposes, such as debt consolidation, home improvements, or other major expenses.

- **Access to Funds:** Access your home's equity in the form of cash for renovations, debt consolidation, or other expenses.
- **Lower Interest Rates:** Potentially secure a lower interest rate on your new mortgage, saving money on interest charges.
- **Tax Benefits:** The interest paid on a cash-out refinance may be tax-deductible, depending on your situation. Consult with a tax professional to determine your eligibility.





## TYPES OF REFINANCING

# Streamline Refinance

Streamline refinancing is available through government-backed programs like FHA, USDA, and VA loans. These refinances offer a simplified process with reduced documentation requirements and faster approval times.

- **FHA Streamline Refinance:** Lower your monthly principal and interest payments or convert an adjustable-rate mortgage into a fixed-rate mortgage. Must be current on your mortgage; cash-out refinance is not available.
- **VA Streamline Refinance (IRRRL):** Lower your monthly payments or convert an adjustable-rate mortgage to a fixed-rate mortgage. Must already have a VA home loan; cash-out refinance is available.
- **USDA Rural Streamline Refinance:** Similar benefits as other streamline programs, provided you live in a designated USDA rural area and have a USDA loan.



## TYPES OF REFINANCING

# Reverse Mortgage

A reverse mortgage is designed for homeowners aged 62 or older, allowing them to convert part of their home's equity into cash without selling their home. The loan is repaid when the homeowner moves out, sells the home, or passes away.

- **Access to Funds:** Provides a lump sum of cash that can be used for various expenses, such as medical bills or home repairs.
- **No Monthly Payments:** Homeowners receive payments from the lender instead of making monthly payments, which can supplement retirement income.
- **Retain Homeownership:** Homeowners retain ownership of their home and can continue living in it as long as they meet the loan requirements.



# How Interest Rates Affect Mortgage Payments

The interest rate on your mortgage plays a crucial role in determining the total cost of your loan. By assessing your current mortgage, you can see if your interest rate is competitive or if you might save money by refinancing to a lower rate.

The table below illustrates the monthly principal and interest payments for various interest rates on a 30-year fixed-rate loan. Securing a lower rate can lead to significant savings over the life of your mortgage.

Loan amount	7%	6.5%	6%	5.5%	5%
\$150,000	\$998	\$948	\$899	\$852	\$805
\$200,000	\$1,331	\$1,264	\$1,199	\$1,136	\$1,074
\$250,000	\$1,663	\$1,580	\$1,499	\$1,419	\$1,342
\$300,000	\$1,996	\$1,896	\$1,799	\$1,703	\$1,610
\$350,000	\$2,329	\$2,212	\$2,098	\$1,987	\$1,879
\$400,000	\$2,661	\$2,528	\$2,398	\$2,271	\$2,147
\$450,000	\$2,994	\$2,844	\$2,698	\$2,555	\$2,416
\$500,000	\$3,327	\$3,160	\$2,998	\$2,839	\$2,684
\$550,000	\$3,659	\$3,476	\$3,298	\$3,123	\$2,953
\$600,000	\$3,992	\$3,792	\$3,597	\$3,407	\$3,221
\$650,000	\$4,325	\$4,108	\$3,897	\$3,691	\$3,489
\$700,000	\$4,657	\$4,424	\$4,197	\$3,975	\$3,758

The above chart is for informational purposes only. Not all borrowers will qualify for these rates. Payments are principal and interest only and do not include homeowners insurance, taxes, or closing costs. Actual monthly payment will be higher. Refinancing may also result in higher total finance charges over the life of the loan.

# The Refinancing Process

Refinancing your mortgage with us is a streamlined and straightforward process. Our goal is to make the experience as smooth and beneficial as possible for you. Here's an easy-to-follow guide to understanding the refinancing process:

## 1 Online Application

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Begin by completing our online application on our website at **[federalhillmortgage.com/apply](https://federalhillmortgage.com/apply)**. This step allows us to gather initial information about your financial situation and your goals for refinancing. The online application is quick, secure, and easy to complete.

## 2 Free Refinance Consultation

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After you submit your online application, we will reach out to you to discuss your specific needs and goals. During this consultation, we'll review your application, answer any questions you may have, and outline the best loan program options for you. This step also involves gathering any additional necessary documentation to support your application.

## 3 Underwriting

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Once your application and documentation are submitted, our underwriters will review your loan and verify all information. During this stage, we'll also order an appraisal to establish your property's market value. Not all refinances require an appraisal, but it can be beneficial to ensure your loan amount is accurate.

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# The Refinancing Process

## 4 Conditional Approval

Our underwriters will issue a conditional approval and may request additional items to fully approve your loan. This step ensures all conditions are met before finalizing the refinance.

## 5 Final Underwriting

Our underwriter will conduct a final review of your loan and issue a final approval. Once this is complete, you're clear to close on your new loan!

## 6 Closing

We'll coordinate with you to schedule the closing date and location. At closing, you'll review and sign the final documents. Be prepared to bring a cashier's check to cover closing costs and possibly a down payment, as personal checks are usually not accepted. Also, bring a photo ID and possibly your Social Security card.

## Required Documents CHECKLIST



During the refinancing process, you may need to provide the following documents. Requirements may vary, so check with us to ensure you have all necessary documents.

- |   |   |
|---|---|
| <input type="checkbox"/> Bank Statements (3 months)     | <input type="checkbox"/> Current Mortgage Statement |
| <input type="checkbox"/> Credit Report                  | <input type="checkbox"/> Homeowner's Insurance      |
| <input type="checkbox"/> Income/Employment Verification | <input type="checkbox"/> Property Tax Bill          |
-

# The Refinancing Process

## Appraisal Process

The appraisal process helps determine your property's current value. Here's what to expect:

- **Schedule the Appraisal:** We'll order the appraisal on your behalf, conducted by a licensed appraiser.
- **Property Inspection:** The appraiser will inspect your home's interior and exterior, noting its condition, layout, and features.
- **Comparable Research:** The appraiser will research recently sold comparable properties to determine your home's market value.
- **Final Report:** The appraiser will prepare a report with an estimated value of your property.

Prepare for the appraisal by making necessary repairs, cleaning, and providing any documentation of upgrades.

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## Closing Costs

Closing costs are associated with finalizing your refinance and can include:

- Legal Fees & Disbursements
  - Lender Fees
  - Brokerage Fees
  - Title Search & Insurance
  - Land Transfer Tax
  - Appraisal Fees
  - Debt Payouts
  - Discharge Fees
  - Registration Fees
  - Mortgage Discharge Fee
  - Prepayment Penalty (if applicable)
-

# The Refinancing Process

## Funding the Loan

The final step involves disbursing funds to pay off your existing mortgage and establish your new loan:

- **Closing:** Sign final documents, including the loan agreement, promissory note, and deed of trust.
- **Disbursement:** Funds from your new loan pay off the existing mortgage and any associated costs.
- **Notification:** Your previous mortgage servicer is notified that your loan is paid in full.
- **First Payment:** Your first payment on the new mortgage is typically due one month after funding.

Avoid any financial changes during this period that could impact your credit score or income.

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## Finalizing

After funding, your new mortgage is in place:

- **Confirmation:** You'll receive a confirmation letter or email about your new mortgage.
- **Servicing the New Loan:** You'll make payments to the new lender. Information on setting up payments will be provided.
- **Review Terms:** Ensure you understand your new mortgage terms, interest rate, and monthly payments.
- **Enjoy the Benefits:** Start benefiting from lower monthly payments, a better interest rate, or cash-out from your home equity!

If you have any questions during the process or after your loan is funded, feel free to reach out to us for assistance. We're here to help you every step of the way.

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# DO'S AND DON'T During the Refinance Process

## DO'S

### **Complete Your Application Thoroughly**

Ensure that all information is accurate and complete to avoid delays in processing your loan.

### **Gather All Necessary Documentation**

Prepare and submit all required documents promptly, including income verification, bank statements, and your current mortgage statement.

### **Stay Current on Mortgage and Other Debts**

Maintain timely payments to keep your credit standing strong throughout the refinancing process.

### **Disclose All Loans and Credit**

Be transparent about your financial situation to avoid issues during underwriting.

## DON'TS

### **Don't Open New Credit Accounts**

Avoid opening new lines of credit or making large purchases, as this can impact your credit score and debt-to-income ratio.

### **Don't Co-Sign on Loans or Leases:**

Co-signing for someone else's loan or lease can affect your credit and debt load.

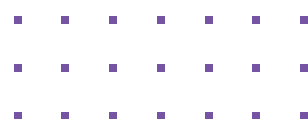
### **Don't Move Money Around or Make Large Deposits**

Large, untraceable deposits or frequent transfers can raise red flags during underwriting.

### **Don't Make Career Changes**

Avoid changing jobs, becoming self-employed, or retiring during the refinancing process, as this can complicate your application.

# REFINANCING FAQS



## **How long should I wait before refinancing my mortgage?**

You can refinance your mortgage at any time, depending on your financial circumstances. However, it is generally advisable to wait at least one year before considering a mortgage refinance. This waiting period allows you to improve your credit score, if necessary, and establish a solid payment history on your existing mortgage. Restrictions may apply if you are refinancing a VA loan.



## **Can I refinance if I have a second mortgage or home equity loan?**

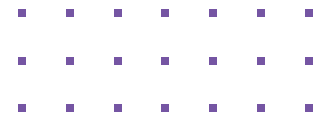
Yes, you can refinance your home even if you have a second mortgage or home equity loan. It is important to ensure that your new mortgage does not conflict with your existing loans. Working with a mortgage lender can help you navigate the complexities and make the best refinancing decisions for your situation.



## **Can I refinance my mortgage more than once?**

Yes, you can refinance your mortgage multiple times, depending on your goals and financial situation. It's important to ensure that each refinance makes financial sense and aligns with your long-term goals.

# REFINANCING FAQS



## **What happens if I can't afford the closing costs associated with refinancing?**

If you are unable to afford the closing costs associated with refinancing, you may have the option to roll those costs into the loan amount. This means the closing costs will be added to your mortgage balance, spreading the expense over the life of the loan. Alternatively, lender credits may be available to cover some or all of the upfront costs.



## **Does refinancing hurt your credit?**

Refinancing your mortgage can have a temporary negative effect on your credit score, but the impact is usually minimal. After refinancing, your credit score should bounce back within a few months, especially if you continue to make timely payments and avoid taking on new debts during the refinancing process.



## **How long does it take to refinance a mortgage?**

The refinancing process typically takes between 15 to 45 days, depending on your lender and individual needs. Factors such as obtaining necessary documents, the appraisal process, and third-party delays can affect the overall timeline. Our team at Federal Hill Mortgage works efficiently to expedite the process, especially if an appraisal waiver is available.





TO LEARN MORE ABOUT THE REFINANCE PROCESS VISIT

**FEDERALHILLMORTGAGE.COM**



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