



Reasons to Refinance Your Home Mortgage Loan

If you have been paying attention to all the subprime lending troubles in the news headlines lately, you may think that now is not the right time to do anything mortgage-related. While it may be harder for those with the worst of credit scores to get home loan financing, there are still plenty of loans available to most people. Now might be the perfect time in fact to refinance your mortgage. Take a look at the following reasons for possibly refinancing now:

Switch out of an Adjusting ARM Loan

A lot of the current subprime mortgage turmoil is due to the proliferation of risky adjustable rate mortgages (ARMs) made to poor credit borrowers over the past several years. These tempting loans offer very low introductory interest rates and monthly payments, but after a year or two, the interest rate is allowed to reset, based on certain market factors. As thousands of these loans have reset at higher rates over the past several months, many homeowners have been unable to keep up with the new, higher payments and have subsequently been forced into foreclosure.

If you have found yourself in one of these ARM loans and your payments have just risen or are going to rise soon, a refinance home loan might be a great option for you. You could replace that risky loan with a nice safe, fixed rate loan. While the interest rate and payments may be higher than your ARM's initial terms, they will likely be lower with a fixed rate loan than they would be once the ARM's rate resets.

Switch into a Lower Interest Rate

While current mortgage interest rates may be hovering close to year-ago rates, they are still low by historical standards. And if you got into the housing market with less-than-perfect credit, you may have had to accept a home loan with a higher interest rate. After a few years of making your mortgage payments on time, your credit score may have improved significantly. If this is the case you could qualify for a much lower interest rate on a home loan, saving you in monthly payments and interest, making refinancing a very smart option.

Take Cash Out

If you have built up some good equity in your home, you might find refinancing a helpful option if you need some extra cash for things like home improvement projects, or college tuition. You can get a refinance loan that is large enough to repay your original loan plus allows you to pull out some money for your financial ventures. Just be careful not to pull out more than you need, as today's mortgage market is not very forgiving if your mortgage payments become too big for your income to handle.

Shorten Your Mortgage

Finally, you may want to consider refinancing if you have found yourself with more disposable income than you anticipated when you took out your original home loan. By refinancing from a 30-year fixed mortgage into a shorter term loan, say 15- or 20-years, you would save tens of thousands of dollars in interest charges over the life of the loan. You will also build equity in



your home much faster. Be advised however, this option will increase your monthly payment significantly.

