



11/07/2006

Turning Your FHA Mortgage into a Refinance Home Mortgage

Refinance Home Mortgages are extremely popular today. Homeowners love the savings that come from refinancing into lower interest rates and payments. If you bought your home with a Federal Housing Administration (FHA) mortgage loan, perhaps you are wondering if it is possible to refinance your loan. The good news is that it is possible! There is even a relatively simple refinance home mortgage program associated with the FHA loan. It's called the FHA streamline refinance.

According to the Department of Housing and Urban Development, these streamline refinance loans have been in use for over 20 years. They are loans that minimize the paperwork and underwriting necessary for the new loan terms, thus they are "streamlined" for your convenience.

Because your original FHA mortgage was a government-insured loan, it greatly decreased the risk of loss to your lender. For the same reason, your lender will incur a small risk factor by lending to you again with a refinance home loan. So basically, if you have an FHA loan you will be approved for a refinance loan.

To receive a streamline FHA refinance loan, you must, of course, have an existing FHA mortgage. You must also be paid up in your loan payments to the present. No one wants to lend you a second mortgage loan if you cannot keep up with your first mortgage payments. Another stipulation of streamline refinance loans is that you may not apply for a cash-out refinance, only for a refinance that creates better loan terms. And getting better terms is actually a requirement of the program. The terms of the refinance home loan must reduce your monthly interest and principal payments.

Because you will not be able to pull out extra cash, these streamline FHA mortgage refinance loans are best suited to those who do not have big debts but do have a steady income, and good budgeting skills. That way the savings from the better terms will be enough to put towards other financial projects. You can improve your terms by getting a better interest rate, switching from an adjustable rate mortgage (ARM) to a fixed rate loan or vice versa, or changing your loan length from 30 to 15 years or 15 to 30 years.

While there are generally closing costs and fees associated with refinance home mortgages, there are ways to eliminate the out-of-pocket charges with an FHA streamline refinance loan. One way to do this is by paying a higher interest rate than you would get by paying the upfront costs. If you prefer not to raise your rate, you may be able to have the closing costs rolled into your new refinance home loan if a new home appraisal determines that you have enough existing home equity to do so. One exception is if you are trying to refinance a home in which you do not reside, otherwise known as an investment property. You must obtain a new appraisal on these types of property and the closing costs are not allowed to be tacked on to the new loan amount.

If you are interested in refinancing your FHA mortgage, and do not need to pull out additional cash for projects or debt consolidation, you may get a great deal by going with the FHA streamline refinance loan. Talk with your lender or financial advisor for more information and help in deciding if it is the right choice for you.