



Be Smart About Signing Up to Refinance

A refinance loan can be a great thing for certain people in certain situations. Whether or not it is right for you depends on several different factors. Refinancing means creating a new home loan in order to pay off your original mortgage. Some people do this to get a lower interest rate or monthly payment with the new loan. Others get a cash-out refinance, a loan bigger than the balance on their existing mortgage, so that they can pull out some money for various expenses. However, there are many things to watch out for when you consider a refinance loan. A refinance loan uses your home as collateral, just like your original mortgage did. This means that if you find yourself in a refinance loan that includes hidden fees and penalties you were unaware of, or if the loan becomes too difficult to repay for any reason, you could end up losing your home. Be smart and do your research before you sign any refinance paperwork.

- Do not let anyone pressure you into a refinance loan.

There are plenty of mortgage lenders who will approach you and try to convince you to take advantage of the equity in your home by getting a refinance loan through their company. Be aware that the housing market is currently undergoing a correction and your equity is not growing as fast as it once was. Be sure to examine all of the terms before deciding to jump into a new loan. Sometimes things that sound too good to be true really are too good to be true.

Do not let other creditors pressure you into getting a refinance loan in order to consolidate your debts. This may be a good solution in some cases, but remember, your creditors cannot generally take away your home if you default on your payments. If you roll those debts into a new refinance home loan though, if you fail to make your payments, the lender can repossess your house!

- Get an APR quote.

When shopping around for a good refinance loan, you will definitely want to compare the interest rates offered, but perhaps more important than the rate is the APR or annual percentage rate on the loan. This is a number that calculates the real cost of your loan, including the rate, the closing costs, points, and any other fees. Make sure you get each lender to give you an APR quote; lenders are required to give you this information as well as the other terms of your loan because of the Truth in Lending Act.

- Understand your cancellation rights.

Once you have reviewed all the terms, if you decide you no longer want to participate in the refinance mortgage loan, you have the right to cancel within three business days after settlement. Before you get to this point though, you should ask the lender about his application fees refund policy. Some may hold on to the application processing fees (generally between \$100 and \$200), but they are required to refund you all other fees involved.

Hopefully these suggestions will help you be better prepared when it comes time to deal with the details of a refinance loan!