



Refinancing Your Mortgage with Your Current Lender

When it comes to getting a refinance mortgage loan, you know it is important to shop around. But where does your current lender come into play? Should you contact him for a refinance quote? Should you go to him first or last or not at all? In almost all cases, you should definitely approach your current lender, but make him the last contact in your shopping.

Here's why: Your current mortgage lender may be able to offer you a nice refinance deal but she will have more incentive to do so if you have already shopped around and gotten quotes elsewhere. This gives you leverage to negotiate a better deal. If you approach your current lender first, she has less motivation to work quickly and provide you with the lowest price. This is because she already has your business. You are already paying her interest on your present loan. If you, in a sense, threaten to take your business elsewhere, she has plenty of inducement to find you a refinance loan that beats the other offers.

Your current lender may or may not have the ability to offer some unique features. This depends on whether he or his company still owns your loan. Many mortgage loans are sold off to the secondary market and thus they have limited control over further loan terms. If your lender still owns or is servicing your loan, he may have the power to waive or significantly reduce the closing costs on your new refinance mortgage. This could save you hundreds or even thousands of dollars on your loan. If you are refinancing purely for a lower rate and not to pull out any cash, your lender may consider simply lowering the interest rate on your current loan, cutting out settlement costs completely (except for the contract change fee.)

You should be careful though when negotiating with your lender for your refinance mortgage. If you have not done your homework and gotten quotes from other lenders first, your current lender may try to offer you a new interest rate that is lower but not the lowest she could give you. Say for instance your present loan has an interest rate of 8%. Your current lender might try to offer you a refinance loan for 7%, but the market average might be closer to 6%. Without doing the previous research you might think you are saving yourself a lot of money, but in reality you could be saving a lot more if you went elsewhere. Get quotes from many lenders first and then if your lender gives you a highball rate, you can tell her you will take your business to Lender X who offered you a better rate. Then you have a chance to see how low your lender is really willing to go!

Your current lender may or may not be the best place to go for your refinance loan. Start the shopping process with an open mind and give your lender a chance to offer you the best rate. In the end though, you should simply choose the lender that offers you the best total loan package, including a low rate, low fees, and good service!