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# Refinancing A Home Loan

## 7 Tips to Refinance a Mortgage Loan to Make It Affordable

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The mortgage rates are quite low in present times. It is about 4.8% on a 30-year FRM (in March 2011). So, this is the ideal time to refinance your existing home loan if you're making monthly payments on a comparatively higher interest rate. However, you should consider certain factors while refinancing your existing mortgage loan with a new one.

### Tips to follow while refinancing mortgage

Here are some tips that you can follow while refinancing your existing home loan in 2011. These tips may help you save hundreds or even thousands of dollars on the refinance loan you obtain.

1. Decide whether or not to refinance - Before starting to shop for the best rates, it is quite important to decide whether or not refinancing is right for you. To do this, ask yourself why you want to refinance. It may be due to the fact that your credit score has improved over time and you want to reduce your interest rate by taking advantage of the current low market rate. You can lock-in the current low interest rate by converting your ARM (Adjustable Rate Mortgage) to an FRM (Fixed Rate Mortgage).
2. Shop around for best rates - While shopping for mortgage loans, make sure you consider the whole package. One lender may offer you a low rate but he may require a balloon payment after every 6 months or 1 year. Another lender may charge a closing cost that's quite high. So, you should understand the entire package to decide which loan is right for you.
3. Get pre-approved by several lenders - It is advisable that you get pre-approved by several lenders while shopping for home mortgage refinance loans. However, be careful that the lenders don't pull your credit reports as otherwise it may hurt your credit record thus reducing your score to some extent. Only authorize those companies/lenders to pull your credit reports who offer the best mortgage refinance rates.
4. Consider interest rates and closing costs - The closing costs that you have to pay should be an important deciding factor along with considering the interest rates offered on the refinance loans. It may happen that a company is offering you a refinance loan at a comparatively lower interest rate but charging hefty fees for it. One of the best ways to decide is finding out whether or not your savings through refinance can offset the closing costs within the time period you plan to reside in the property.
5. Check pre-payment penalties on existing mortgage - You should check whether or not there are pre-payment penalties on your existing mortgage loan. If there's such a penalty, then you should have enough funds to cover it. Usually, lenders charge a pre-payment penalty that's equivalent to about 6 months' interest payment on your existing mortgage loan.
6. Read the fine print carefully - Often borrowers make a mistake by not reading the fine print carefully before taking out a refinance loan. It is needless to mention that you should get everything (each and every refinancing terms and conditions) in writing. It includes interest rates, closing costs, pre-payment and other types of penalties associated with the refinance loan.
7. Take out an affordable loan - Do not take out a loan that you cannot afford. It is advisable to not go for cash-out refinancing if you haven't yet decided how to spend the amount or you don't have a solid reason to tap your home equity.

One last tip - you should check your credit score before shopping for mortgage loans and if required, raise it to get favorable terms and conditions on your home mortgage refinance loans. In the present scenario, lenders may offer you the best rate on a conventional mortgage loan if your credit score is 700 or more.

Jessica Bennet with her vast experience in the mortgage industry has been associated with the [MortgageFit](#)

Community as a Mentor. Not only does she participate in the community forums to give her suggestions, but also makes her contributions through different articles on mortgage.

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