



Why Should I Refinance

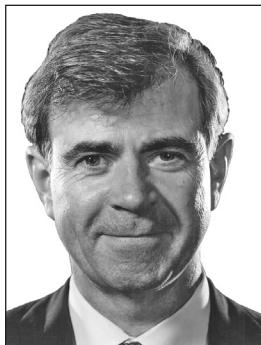
And When Does it Pay to Do So?



William Francis Galvin

The Massachusetts Secretary of the Commonwealth

updated 3/6/15



William Francis Galvin
Secretary of the Commonwealth
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Dear Homeowner,

This pamphlet has been designed to answer some of the basic questions asked every day pertaining to refinancing your home. This information is not designed to provide any legal advice or address the practical effect of refinancing. As in all areas of the law, to fully understand your rights, you should consult an attorney of your choice.

If you have any further questions or concerns, please do not hesitate to contact the Registry of Deeds office directly. We are here to serve you.

Sincerely,

A handwritten signature in black ink, appearing to read "William Francis Galvin".

William Francis Galvin
Secretary of the Commonwealth

There are several reasons to refinance your home including:

- To lower the interest rate on your mortgage, and therefore reducing your monthly payments and overall cost due to changes in market conditions or improvement in your credit score;
- To reduce the term or length of your loan – doing so can save you thousands of dollars in interest;
- To provide a means of consolidating your debt.

All of these are excellent reasons to pursue refinancing, but several issues should be considered first.

Refinancing is similar to the process you encountered when you closed on your first mortgage. At times it requires an application, credit check, new survey and title search, plot plans, homeowner's insurance, possible prepayment penalties, as well as an appraisal and inspection fees. As you know, this process can be quite lengthy and expensive.

As a rule of thumb, it pays to refinance if you can get an interest rate at least two percentage points lower than what you are currently paying. However, every situation is different. Some lenders are offering reduced fees or no points. Asking yourself a few questions may help you determine if you can save money:

- How much can I lower my current monthly payment?
- How long do I plan to stay in the house after I refinance?
- How much will I pay in refinancing costs?

Next, figure out what you still owe on the house, how much you're paying each month, and how much you initially paid for the house. Itemize all the expenses of the refinance and estimate your new monthly payments. With this, you can figure out where you break even and when you begin saving money.

Since your home may be your most valuable asset, you want to be vigilant when choosing a lender or broker and specific mortgage terms.

You may even decide to combine a primary mortgage and second mortgage into a new loan.

Refinancing will force you to reconsider lowering your interest rate, adjusting the length of your mortgage, changing from an adjustable-rate mortgage (ARM) to a fixed-rate mortgage, getting an ARM with better terms, and getting cash out from the equity built up in your home. Keep in mind that some lenders may also offer ‘no-cost’ refinancing to avoid paying up-front fees. However, these refinancing fees could later be deferred to higher interest rates or rolled into or financed into your loan. Always ask the lender to explain all the fees and penalties associated with a no-cost loan.

This information is not designed to provide any legal advice. We strongly urge homeowners to consult an attorney of your choice to fully understand your rights.

Visit our website at www.sec.state.ma.us/rod/rodrefi/refidx.htm and use the Mortgage Refinancing Calculator as a guide to help you through this process.

Shopping for a New Loan

When shopping for a new loan talk to your current lender, compare loans before deciding¹, get information in writing, use newspapers and the Internet to shop around, and be careful with advertisements that entice you with low initial interest rates and monthly payments.

For additional information, please consult the appropriate Regulatory Agency listed below.

Federal Reserve Consumer Help
P.O. Box 1200
Minneapolis, MN 55480
(888) 851-1920
www.federalreserveconsumerhelp.gov

Consumer Financial Protection Bureau
(CFPB)
P.O. Box 4503
Iowa City, IA 52244
(855) 411-2372
www.consumerfinance.gov

Office of the Comptroller of the Currency
(OCC)
99 Summer Street
Suite 1400
Boston, MA 02110
(800) 613-6743
www.occ.treas.gov

Federal Deposit Insurance Corporation
(FDIC)
Consumer Response Center
1100 Walnut Street, Box #11
Kansas City, MO 64106
(877) 275-3342
www.fdic.gov
www.fdic.gov/consumers

Federal Housing Finance Agency (FHFA)
Consumer Communications
Constitution Center
400 7th Street, S.W.
Washington, DC 20024
(202) 649-3800
www.fhfa.gov

National Credit Union Administration
(NCUA)
Consumer Assistance
1775 Duke Street
Alexandria, VA 22314-3428
(800) 755-1030
www.ncua.gov
www.mycreditunion.gov

Federal Trade Commission (FTC)
Consumer Response Center
600 Pennsylvania Avenue, N.W.
Washington, DC 20580
(877) 382-4357
www.ftc.gov
www.ftc.gov/bcp

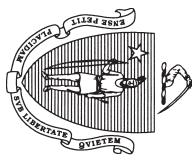
Small Business Administration (SBA)
Consumer Affairs
409 3rd Street, S.W.
Washington, DC 20416
(800) 827-5722
www.sba.gov

U.S. Department of Justice (DOJ)
Criminal Division
950 Pennsylvania Avenue, N.W.
Washington, DC 20530
(202) 514-2000
www.justice.gov/criminal

Department of Housing and Urban
Development (HUD)
Office of Fair Housing/Equal Opportunity
451 7th Street, S.W.
Washington, DC 20410
(800) 827-5005
www.hud.gov/complaints

¹ Lenders are required by federal law to provide a “good faith estimate” within three days of receiving your loan application. You can also ask for the HUD-1 settlement cost form one day before you are due to sign the final documents.

Information provided by the Federal Reserve Board’s “A Consumer’s Guide to Mortgage Refinancings,” August 27, 2008.



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