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| **Should You Refinance Your Mortgage?****You may be tempted to refinance your mortgage when it will result in lower interest payments. Before you do, consider the costs involved and how long they will take to recoup.**Reasons to refinance your mortgage include getting a lower interest rate, reducing your monthly payments, accelerating pay off, and ridding yourself of mortgage insurance. However, with an average refinancing cost of $4,3451, make sure you first understand your return on investment.**The interest rate trigger.** Many experts recommend refinancing your mortgage when you can save 1 to 2 percentage points in interest2. For example, a drop from 5% to 4% on a mortgage with 20 years remaining and a balance of $200,000 will save more than $107,270 before costs. But you might save money even when the interest rate drops by a fraction of 1%. It’s critical you understand exactly how much you’ll save before jumping on a lower interest rate.**Fees can mount up quickly3.** You may need to pay a loan application fee ($75–$300) just to get the process started. At closing, you might face the following fees: loan origination (1%–1.5% of loan amount); documentation and underwriting fees ($300–$900); home appraisal fees ($500– $1,000+); title search and insurance ($300–$2,000+); attorney fees ($500–$1,000); and recording fee ($25–$250).**The zero-cost refinancing myth.** Many refinance closing costs are unavoidable. When you see ads to refinance your mortgage at zero expense, check for loopholes that might end up costing you a lot. A typical ploy is to roll all the refinancing costs into the mortgage’s interest rate, raising it by a quarter to half point4.**Use a refinancing calculator.** You can find several refinancing calculators on the internet. Choose one that lets you specify your fees and tells you how long it will take for your savings to equal your costs―the breakeven point. If you plan to stay in your home for many years, then it might make sense to refinance. But if you plan to remain for only a few years, you might not recoup your costs.**Not all refinancing will make sense.** The amount you save should be enough to cover the costs of refinancing your home. If you are contemplating refinancing, please contact me to review the numbers and explore your options. Together, we can figure out whether refinancing makes financial sense given your unique circumstances.

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| 1 [valuepenguin.com/mortgages/average-cost-of-refinance](https://www.valuepenguin.com/mortgages/average-cost-of-refinance) [3/16/21]2 [investopedia.com/mortgage/refinance/when-and-when-not-to-refinance-mortgage/](https://www.investopedia.com/mortgage/refinance/when-and-when-not-to-refinance-mortgage/) [6/30/21]3 [themortgagereports.com/74024/cost-to-refinance-a-mortgage](https://themortgagereports.com/74024/cost-to-refinance-a-mortgage) [3/8/21]4 [zillow.com/mortgage-learning/no-closing-cost-refinance-worth/](https://www.zillow.com/mortgage-learning/no-closing-cost-refinance-worth/)Tracking #1-05193361Expiration 10/24 |

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