6 Reasons to Consider Refinancing Your Mortgage in Yuma AZ

If you have a mortgage, you should periodically consider refinancing. While a 30 year fixed rate is the most common mortgage type, you may be surprised to find that the average life of a mortgage loan is less than 5 years. Most people don't stay in a home for 30 years anymore, and even if they do, their lives and financial needs can change drastically over time. If you have had your mortgage for more than 3 or 4 years, you may want to consider a mortgage checkup.

Home Improvements. One of the great things about owning your own home is the freedom to make changes! Even better, some home improvements not only make your home more comfortable to live in, but can also increase your home's value. Refinancing to facilitate upgrades is something to consider. Read more here: How to Finance Home Repairs and Upgrades

Lowering Your Interest Rate. Interest rates are constantly changing (see our Live Market Update page)! The lowest rate available at the time you closed on your mortgage may be significantly higher than the going rates today. The rule of thumb is if you can save 0.75% - 1.0% off your current rate, it makes sense to refinance. Depending on your circumstances, even smaller reductions in rate can make a big difference, so ask for a personalized quote.

Cancelling Private Mortgage Insurance. Mortgage Insurance, known as PMI or MI, protects the lender against default. If you purchased your home with less than 20% down payment, chances are, you have MI on your loan. This usually reflects as a monthly amount included in your payment. If your home has gone up in value, it may make sense to refinance to drop the MI, even if the interest rates are not lower than your current rate. In some cases, you may even be able to drop the MI without refinancing.

Shortening Your Term. One of the drawbacks of refinancing is that your loan term starts over from the beginning. If you have been paying for 4 years on your 30 year loan, you only have 26 years left. So if you refinance to another 30 year loan, while your payment may be lower, you will be starting back over at the beginning of another 30 year term. If you are not concerned with lowering your payment, you may consider refinancing to a shorter term loan. Mortgage loan terms are generally available in 5 year increments: 30, 25, 20, 15 and 10 years. When interest rates are low, you may be able to refinance to a 20 or 25 year term without drastically raising your monthly payment.

Lengthening Your Term. While paying off a mortgage fast sounds great, it is not always the next step toward financial freedom. If you are carrying credit card balances, auto loans, unsecured loans or pretty much any other any other debt, you are probably better paying toward those than making aggressive mortgage payments. If you find yourself in the situation of not being able to pay off other debt because of a too-big house payment, refinancing to a lower rate or longer term may be the right move for you.

Cash Out Refinance. Many people have gotten themselves in trouble by refinancing to take cash out and buy "stuff." If you take cash out of your house to buy a new boat, keep in mind that you are putting your house on the line! You are literally putting your house up for collateral to buy that boat. When you think about it this way, it doesn't seem like such a smart idea. However, using the cash to pay off higher interest debt or to lower your overall monthly payments may be just what you need to reduce your financial stress.

Whatever your situation, your mortgage is probably one of the largest pieces of your financial puzzle. It pays to have it reviewed periodically by a professional to make sure you are in the best loan for you.
Find Out More!

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