

Common Mortgage Refinance Mistakes

During the process of getting a mortgage refinanced, many things might go the wrong way. The mistakes made while refinancing the mortgage may cost more a fortune for the borrower. Most of us, who overpay for their mortgages, may not even be aware of it. To avoid this, the borrower should take some time while researching for the options of mortgage refinance and should contact different lenders to get a better idea on how it works. Some of the valuable suggestions are given below:

Many people do concentrate only on the interest rate while looking for mortgage refinance. Interest rates are very much important, but it should not be the only criterion as the rest of the aspects of mortgage may cost more if the closing costs are enormous. All the aspects of the mortgage need to be considered. To avoid this the borrower can get a good faith estimate from the lender in a written form, which is normally given, only if it is asked for. It will outline all the aspects of the loan to make an informed decision. Along with the interest rates, the length of the loan term and the amortization schedule should be studied, as it will give an idea about the payment to be made. Selecting a right mortgage will save money while at the same time wrong decision leads to financial disaster. Hence, it is good to know the basics of different loans and select the one, which is very suitable.

The borrower should get a guarantee on the interest rate that will give him enough time to close the mortgage. In case of any fees charged for making a guarantee by the lender, the borrower should never get scared for paying the fee as the interest rate lock gives enough time to the borrower to close the loan. In case the borrower fails to close the loan before the expiry of the lock period, the lender will raise the interest rate, hence it should be made sure that the guarantee covers the points paid and what the borrower gets for paying points. A borrower should not accept a loan that includes prepayment penalty as one of its conditions.

Predatory lending practice is still a common phenomenon in the market. Despite laws protecting the borrower from predatory mortgage lenders, some of them will take advantage of the borrowers by charging more interest rates and lender fees. Mortgage guidebook can provide valuable knowledge on how to compare mortgage offers and select the best one from them.

Break-even analysis has to be made to know how long the borrower needs to stay in his house to attain break even on the refinancing cost. Another mistake is that the borrower pays more towards mortgage insurance called as PMI. The PMI need not be paid if the person has 80 percent equity stake in his home. Since the interest rates and loan terms are dependent on the credit score, it is good to correct the credit report incase of any mistakes in it and then apply for the mortgage refinance as the borrower can get better interest rates and loan term.

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About the Author

Lesley Lyon is an expert in dealing with finance related matters. He has written several informative articles on topics like credit card, debt consolidation, building a good credit score, mortgage, home refinancing, loan and insurance. He regularly contributes articles to web guides on mortgage and home refinancing <http://www.fundsleader.info> and <http://www.financialdeals.info>