



# 6 QUESTIONS TO ASK BEFORE REFINANCING

Deciding if refinancing is beneficial to you isn't always straightforward. Just as it was obtaining your mortgage, refinancing can be an intricate process as well, but Northstar Bank's mortgage lending team can help make it a smooth process for you. Ask yourself these questions to see if refinancing may be right for you.

## HOW LONG DO I PLAN ON STAYING?

If you're planning on staying in your home for at least five or more years, it may make sense for you to refinance. However, if you'll be switching from an adjustable-rate to a fixed-rate mortgage, the closing costs might not outweigh the benefits if you don't plan on staying for very long.

## IS MY CREDIT IN GOOD SHAPE?

Your goal should be to qualify for an attractive mortgage rate. When you qualify, it can be advantageous to refinance to reduce your monthly payment and the total number of years you have to pay the loan off.

## DO I HAVE ENOUGH EQUITY?

You'll need a minimum of 20% equity in your home to avoid paying for private mortgage insurance when you take out a new loan. Your lender will be able to help you determine that through an appraisal.

## AM I CLOSE TO PAYING OFF MY MORTGAGE?

If you've owned your home for a while and are close to paying off your loan, refinancing might not be a wise financial decision. A better route may be paying down your principal to eliminate your mortgage debt. Talking with your local lender help you decide if it's a good move.

## DOES MY EXISTING MORTGAGE HAVE A PREPAYMENT PENALTY?

Check to see if your lender charges a prepayment penalty - a fee that will be charged if you pay your existing loan off within a particular time frame. Many new loans have a prepayment penalty but it can't hurt to talk to your lender about the penalty's restrictions to see if it will help or hurt your refinancing plans.

## CAN I AFFORD THE CLOSING COSTS?

It's common to be able to finance your closing costs. If your primary reason for refinancing is to save a significant amount of money, this may not be a wise financial decision. If you go with a long term to finance the closing costs, you may end up paying quite a bit of interest.

A safer plan may be to save up for the closing costs to be able to pay it in full. Avoid putting more debt into a refinance loan when you can.

*Contact your local mortgage consultant today!*