

Should You Refinance Your Mortgage?





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To determine if refinancing your home mortgage is worthwhile, you'll have to weigh the costs of refinancing against how long it will take you to recoup those costs.



If the number of months you'll remain in your home times your monthly mortgage payment savings (due to refinancing) is equal to your total refinancing cost, then you'll break even on the deal.*

- If you don't stay long enough to recover your costs, refinancing is a bad strategy
- The longer you stay past your break-even point, the more you'll tip the balance in favor of refinancing

Refinancing costs often include:

- Points
- Application fee
- Appraisal fee
- Credit report
- Legal fees
- Loan origination fee
- Title insurance

*If your break-even point is many years away, refinancing may not be beneficial. This is because the value of a dollar today (when you are paying refinancing costs) is greater than that of a future dollar (when you are realizing the savings). Also, it may be difficult to accurately predict whether you will still be living in your home many years from now. Consequently, it is often considered ideal if you can recover your refinancing costs in one year or less.

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