

Purchasing a home and getting a loan are some of the biggest investments you'll ever make and it's important to be prepared. By keeping the following principles in mind, you'll make your loan process a more successful and enjoyable experience. Since your home could cost you 25% to 40% of your gross income, it's important to conduct research, ask questions and study the process carefully.

Top Ten Things to Do to Successfully Refinance Your Home

- 1. Do not refinance with your existing lender without shopping around.** There is a general misconception that it is easier to work with your current lender. Your existing lender may not have the best rates and programs. In most cases, your current lender will ask for the same documentation as other companies because most loans are sold on the secondary market and have to be approved independently. Even if you have made all your mortgage payments on time, your existing lender will still have to verify assets, liabilities, employment, etc. all over again.
- 2. Do a break-even analysis.** Determine the total cost of your transaction, then calculate how much you will save every month. Divide the total cost by the monthly savings to find the number of months you will have to stay in the property to break even. For example, if your transaction costs \$2000 and you save \$50/month, you break even in $2000/50 = 40$ months. In this case you'd refinance if you planned to stay in your home for at least 40 months.
- 3. Get a Good Faith Estimate of closing costs in writing.** Within three business days after your broker or lender gets your loan application, you must receive a written statement of fees associated with the transaction. This is the law and the best way to know what you'll pay for your loan. Bring the Good Faith Estimate (GFE) with you when you sign loan documents. You should not be expected to pay fees which are substantially different from those contained in your GFE.
- 4. Do not pay for an appraisal if you think your home value is too low.** Have the appraisal company prepare a desk review appraisal (typically free) to provide you with a range of possible values. Your mortgage company's appraiser may do this for you, but don't waste your money on a full appraisal if you are doubtful about the value of your home.
- 5. Do not use the county tax-assessor's value as your home's market value.** Mortgage companies do not use the county tax-assessor's value to determine whether they will make the loan. They use a market-value appraisal which may be very different from the assessed value.
- 6. Read your loan documents before signing them.** Whenever possible, review in advance the documents you'll be signing. Even though some specifics of your transaction may not be known early in the transaction, the documents you'll sign are standard forms and are available for review. It's unlikely that you'll have sufficient time to read all the documents during the closing appointment.
- 7. Provide your loan documents to your mortgage company on time.** When your mortgage company asks you for additional documents, provide them immediately. Delays in providing documents can result in a costly delays.

PA Mortgage Network

8. **Get a rate lock in writing.** When a mortgage company tells you they have locked your rate, get a written statement which includes the interest rate, the length of the rate lock and details about the program.
9. **Do not take cash out of your credit line before you refinance.** Many lenders have cash-out seasoning requirements. This means that if you pull cash out of your credit line for anything other than home improvements, they will consider the refinance to be a cash-out transaction. This usually results in stricter requirements and can, in some cases, break the deal.
10. **Do not get a second mortgage before you refinance your first mortgage.** Many mortgage companies look at the combined loan amounts (i.e., the first loan plus the second) when refinancing the first mortgage. If you plan on refinancing your first loan, check with your mortgage company to find out if getting a second will cause your refinance transaction to be turned down.

For more information contact:
Susan Duffy
2275 Swallow Hill Road
Building 900, Suite One
Pittsburgh, PA 15220
412.489.1340 ext. 215
susanduffy@pa-mortgagenetwork.com