

# Should you refinance? What can it do for you?

Deciding whether or not you should refinance depends on your personal financial situation. If interest rates are lower today than they were when you first took out your mortgage, refinancing makes sense. Or, if you bought your home with an adjustable rate mortgage (ARM) and are now afraid any movement in interest rates may cause your mortgage cost to go up, you should consider a refinance.

## **WILL REFINANCING IMPROVE YOUR SITUATION?**

Making the decision to refinance a mortgage loan is based on how refinancing will improve your present loan situation. Refinancing may help lower your monthly loan payment or the number of years left to pay on the loan. You can also refinance and use additional cash from the equity in your home to remodel or add on to your existing home. This all requires some careful consideration. A seasoned mortgage lending professional who can show you the difference refinancing can make to your monthly costs is your best guide.

## **UNDERSTANDING INTEREST RATES**

The "timing" for refinancing is created by understanding interest rates for mortgages and how they move. With little movement in the sale of houses for awhile, the rates for mortgages have been fairly level or flat. As the economy recovers from a near financial meltdown, interest rates for new and existing homes will increase. As the buying increases, homeowners should see higher interest rates. The higher rates are a consequence of the housing market demand. Before rates shoot up too far, you should talk to a mortgage lending professional regarding refinancing to see if you qualify.

## **TIGHTENED LENDING REQUIREMENTS**

It should be understood as lenders have tightened their requirements and made credit more difficult to obtain, borrowers who got caught up in the credit crisis may have allowed their credit scores to fall. Lenders will take a hard look at credit and if your credit falls below their accept-



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able range for lending, you will be denied a loan. It is important borrowers understand their financial situation and clear up any troubling issues in order to qualify for a refinanced loan at the lowest possible rate.

## **COMPARE THE OLD LOAN VERSUS THE NEW LOAN**

Working with a trained mortgage lending professional will help you avoid any pitfalls associated with refinancing your loan and allow you to receive the best deal. You want to compare your current rate to the new rate and be sure there is a significant reduction. Also, you should review the loan amounts of the old and new loans. Many times, the costs of the loan are rolled into the loan, significantly increasing the new loan amount. The third important factor to consider is the payment terms of the loan. For example, if you have a 30-year mortgage, but have had it for ten years, you have a remaining 20-year mortgage. If you refinance to a new 30-year mortgage, you add interest to your mortgage over those ten years.

If you have mortgage lending questions or would like to discuss home mortgage loan options, we'd be happy to sit down with you. Just call or email to set up an appointment: Gloria Bohn, 605-665-4951, [gbohn@firstdakota.com](mailto:gbohn@firstdakota.com); Sandy Brown, 605-624-5845, [sbrown@firstdakota.com](mailto:sbrown@firstdakota.com) Or go to [www.firstdakota.com](http://www.firstdakota.com) to complete our prequalification application.

**Editorial provided by First Dakota National Bank**



## FEEL **RIGHT** *at* **HOME**

Financing your home can be a smooth and efficient process if you have the right resource. Our mortgage options vary, just like your needs, but we always provide reliable solutions. **TALK TO GLORIA OR SANDY TODAY!**



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