



Increasing Generational Wealth Building for Black Americans: FAQ

Refinancing has become increasingly important to homeowners as we see historically low interest rates in the market. Refinancing offers many benefits to homeowners including lower monthly mortgage payments and shortened loan terms.

The money saved each month can be used for many purposes, including personal wealth investment and sustainable homeownership. Savings accounts, 401K contributions, paying off debt or investing in home improvements are examples of how one can build wealth.

- Despite low interest rates and a surge in refinancing across homeowners, Black homeowners may not be taking advantage of this opportunity. Many face challenges such as:
 - Understanding of one's finances and how refinancing is achievable.
 - Learning the home refinance process and the key players.
 - Trusting in financial institutions.
 - Gaining clear insight into the advantages of refinancing.
 - Becoming aware of the resources and support available through housing counseling.
- Refinancing can provide a means to obtain funds for use towards personal wealth building.
- Refinancing is not right for everyone and it's important for homeowners to evaluate their personal situation and financial goals.

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Timeframes for Refinancing

Q1

If I refinanced recently but the rates are now lower, can I refinance again? What is the recommended time between refinancing?

A: You should always verify with your lender, but the recommended time is at least seven months before refinancing. This allows six months of payment history at your current rate.

Q2

Should I consider how many years I have paid into my mortgage loan?

A: Yes, it's important to think about your overall investment period and what your purpose is for refinancing such as debt consolidation or home improvements. You should explore Freddie Mac tools and resources, such as Freddie Mac's [refinance calculator](#), to help understand the best options for you.

Q3

How long does it take to refinance? Is there a governance around the timeline?

A: Interest rates are at historic lows and refinance demands are extremely high. It's appropriate to ask your lender for an anticipated closing timeframe. A refinance usually takes 30 to 45 days.

Q4

How many months does it take for a credit score to recover as a result of positive changes such as paying bills on time, paying off credit card balances and other outstanding loans that may have been in default?

A: Since credit reports are individualized for each person's financial history, it's difficult to determine how long recovery will take. All efforts toward credit restoration will contribute to an improved score over time. [Click here](#) for additional information.

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Associated Refinancing Costs

Q5

Is it always cost-effective to do a refinance? How do you assess if refinancing is right for you?

A: Generally, if refinancing will save you money, help you build equity and pay off your mortgage faster, it's a good decision. Freddie Mac's [mortgage calculator](#) is a great way to determine what's best for you.

Q6

How do I calculate the closing costs associated with a refinance?

A. There are several items that factor into the cost of refinancing and closing costs will vary based on many variables. [Click here](#) for additional information.

Q7

I saw a refinance ad that stated closing fees would be only \$295- how is that possible?

A: If your lender offers you a “no-cost or low-cost” refinance, keep in mind that there is no such thing as a free loan. They may be charging a higher interest rate and rolling the closing costs into the loan — likely costing you more over the life of the loan. [Click here](#) for additional information.

Q8

What type of credit check is involved in a refinance? Will it hurt my score?

A: When you apply for a refinance and submit your documents, the lender will do a full/hard credit check that will show on your credit report. Depending on many other factors, your credit score may also be impacted.

Q9

Is the fee to buy points fixed or adjusted from lender to lender?

A: A point is one percent of your loan amount. The impact buying points has on the interest rate you're offered may vary by lender and loan type.

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Lenders

Q10

What is the best way to shop around for a lender?

A: Shopping around for a home loan or mortgage will help you get the best financing deal. A mortgage — whether it's a home purchase, a refinancing, or a home equity loan — is a product, just like a car, so the price and terms may be negotiable. You'll want to compare all the costs involved in obtaining a mortgage. Shopping, comparing, and negotiating may save you thousands of dollars. Your lender should be your partner in the process. [Click here](#) for additional information.

Q11

Given the number of people impacted by COVID-19 and how society is slowly getting back to normal, lenders are requiring borrowers to make three consecutive payments prior to refinancing. What's the reasoning behind this if refinancing will pay off the entire balance including any deferment?

A: Lenders want to know that the new loan is within the borrower's ability to repay when they issue the new debt. It's prudent to see that the borrower is now financially stable enough to make the payment for the new loan.

General

Q12

Is title insurance required or optional?

A: Title insurance is required for all loans but the necessity of a re-issued policy when refinancing will vary by lender and state. You should check with your lender to determine if a new policy is needed or if you qualify to have a lesser cost option like a reissued policy when you apply for your refinance.