



Considering a Refinance?

Four Things Homeowners Should Know and Do

Interest rates are near historic lows and you may be wondering whether it's the right time to refinance your mortgage loan.

If misconceptions and the perceived complexities about the refinance process have made it difficult for you to make a timely and informed decision, consider these four tips from Freddie Mac refinance experts to help you get started.

1- What to Do: Determine Your Refinance Goals

When considering a refinance, our experts suggest that you know what you want to achieve.

REFINANCE CONSIDERATIONS

Think about why you're considering this option:



Do you need to make costly repairs to your home?



Are you looking to expedite the payoff of your home loan?



Have you been tracking interest rates and see an opportunity to lower your monthly mortgage payment?



Take Action

Nailing down the motivation for refinancing will help you better determine which refinance option is best suited to meet your needs.

2 - What to Know: Refinancing Can Help You Save Money

A refinance, commonly called “refi,” is a process in which the existing mortgage loan is replaced by another loan.

In this case, the new loan is used to pay off the old loan. Often the new loan has better terms, which can result in a lower interest rate, reduced monthly payments and consolidated debt – all of which translate to savings for you.



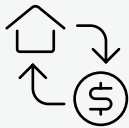
Get Refinancing Resources

Check out our [refinance resources](#) to understand the costs of refinancing and long-term impacts.



3 - What to Know: There Are Refinance Options to Suit Any Need

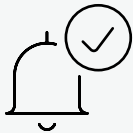
Once you've identified your refinance goals, you're a step closer to deciding on an ideal option to meet your needs. There are three primary options for refinancing a mortgage:



NO CASH-OUT REFINANCE

The most common option and may make sense if you're looking to:

- ➔ Lower your mortgage rate.
- ➔ Move from one mortgage product to another (30-year to 15-year fixed).
- ➔ Build equity faster.



CASH-OUT REFINANCE

You might consider this option if you've built up significant equity through your monthly payments and your home's appreciation. It can be used to:

- ➔ Free up cash for a passion project
- ➔ Consolidate debt
- ➔ Improve your general financial situation or your home's value



FREDDIE MAC RELIEF REFINANCESM MORTGAGE

This option might work for you if your loan-to-value ratio (how much you owe on your mortgage compared to the home's appraised value) exceeds the maximum allowed for a standard no cash-out refinance product.

+ Take Action

[Use our Loan Look Up tool](#) to find out if Freddie Mac owns your current loan. You must meet certain criteria for this option.



4 - What to Do: Shop

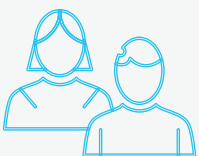
After you've decided on your goals, taken inventory of your financial standing and identified the right refinance option, you can start engaging lenders.

A common misconception about refinancing is that you're not able to shop around. In fact, our experts recommend that you discuss your goals with multiple lenders and treat the initial meeting like an interview.

Be prepared with questions and talk openly about what you're looking to achieve.

Conversations with lenders may result in a soft inquiry of your credit. Soft inquiries occur when you get preapproved for a loan and have no impact on your credit score.

HOW CAN YOU PREPARE FOR A PRODUCTIVE CONVERSATION?



Discuss your goals with multiple lenders



Treat the initial meeting like an interview



Be prepared with questions



Talk openly about what you want to achieve

Next Steps

□ GATHER YOUR DOCUMENTS

You'll need to have a number of documents on hand to get started, including recent paystubs, the previous two year's W2, bank and investment account statements, most recent tax returns and a copy of your homeowner's insurance policy, just to name a few. Required documents may vary by lender.

□ SELECT A LENDER

The lender you select will be your point of contact throughout the process, which can take up to 30-45 days to complete. Lenders use a variety of criteria when deciding to make a loan:

- *Capacity:* Ability to pay back the loan
- *Capital:* Readily available money and savings plus investments
- *Collateral:* Value of property and other possessions
- *Credit:* Record of paying bills and debt on time

□ PREPARE FOR THE APPRAISAL

Once your loan is approved the lender will schedule an appraisal and the loan will then proceed to underwriting, which means you're nearing the close of the process.

At Freddie Mac our mission is to provide liquidity, stability, and affordability to the U.S. housing market. We're committed to providing support to borrowers and homeowners like you throughout the lifecycle of homeownership, including refinance.

□ CLOSING TIME

Every closing is different but refinances typically include you, any co-borrowers and a closing agent. This process usually takes place at a title company but due to social distancing requirements, some agents are now offering in-home closings. At closing you're required to provide identification – such as a state-issued photo ID – and a valid form of payment for any closing costs that aren't rolled into the loan. You'll need to review and sign off on the terms of your new loan. Be prepared to spend some time in the office reading through your documents – they're legally binding.

□ CELEBRATE

We understand that the refinance process may seem daunting, but with a little education and the right tools, it's possible to make your way through it.

For more information, tips and tools on refinance [visit MyHome by Freddie Mac.](#)