

# More Than Just a %

Understanding the Benefits  
of Refinancing Your Home

## Four Things Homeowners Should Know and Do

You may be wondering whether it's the right time to refinance your mortgage loan. If you are unfamiliar with the refinance process or it seems too difficult, consider these four tips from Freddie Mac refinance experts to help you get started.





## 01: What to Do

### Determine Your Refinance Goals

When considering a refinance, 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?



Are you thinking of switching from an ARM to fixed-rate mortgage?

## 02: What to Know

### Refinancing Can Help You Save Money

A refinance, commonly called "refi," is a process by which the existing mortgage loan is replaced with 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.

#### Take Action

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

## Take Action

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







## 03: What to Know

# Refinance Options Are Available

Once you've identified your refinance goals, you're a step closer to deciding on an ideal option to meet your needs. Options for refinancing include:



### "No Cash-out" Refinance

This is the most common option and may make sense if you're looking to:

- Lower your mortgage rate.
- Move from one mortgage product to another (e.g., 30-year fixed-rate mortgage to 15-year fixed-rate mortgage).
- 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:

- Consolidate debt.
- Fund home improvements.
- Create an emergency fund.
- Pay down student loan debt.
- Improve your general financial situation.





## 04: 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 can't shop around. In fact, it's recommended 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 pre-approved for a loan and have no impact on your credit score.

## Take Action



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 several documents on hand to get started, including recent paystubs, the previous two years' W-2s, 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 and they 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.

### □ Closing Time

Every closing is different, but refinances typically include you, any co-borrowers and a closing agent. This process may take place at a title company's office or in your home. 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 reading through your documents – they're legally binding.

### □ Celebrate

We understand that the refinance process may seem daunting, but with the right information and tools, you can complete it successfully.

For more information, tips and tools about refinance, visit [My Home by Freddie Mac](https://www.myhomebyfreddiemac.com)<sup>®</sup>.



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 homebuyers and homeowners throughout the homeownership life cycle, including refinance.