

How to Afford Mortgage Refinance

If you have been looking into mortgage refinance you may currently be suffering from sticker shock. If this is the case, rest assured you are not the only one. Refinancing your mortgage is quite costly and many people believe that the cost of the refinance keeps them from going through the process. While it is out of many homeowners reach to refinance traditionally, there are options even when you don't have a lot of money just sitting in the bank account to make it happen.

Affording Mortgage Refinance

It can be difficult to afford the process of refinancing. When you go to a lender and you inquire about refinancing, you may get a great interest rate and then you will receive an estimate of charges and this list of charges will likely be in the thousands of dollars! In fact, you can expect to pay anywhere from three to six percent of the financed amount for the loan. To make that clearer, if you were financing \$100,000 that would mean that you would have closing costs that are as much as \$6,000! This is a lot of money and most of us can't just pull out the checkbook and hand over a check any time.

Your first course of action is to plan for your refinance in advance and start saving money. This is what people did traditionally because in the past there were not as many programs out there for people who do not have the funds to refinance. This may take some time, but if you plan to refinance 10 years after you purchase your home, you have 10 years to save roughly this amount.

If saving the money really isn't an option for you because you need to refinance sooner rather than later or your situation has changed, there are other options. The first option is to do what is called a no closing cost mortgage refinance. When you do this, you do not have to pay your closing costs up front, instead the costs are rolled into the financed amount. So if you had that \$100,000 home to refinance and you had \$6,000 of closing costs, your actual loan would be for \$106,000. This is great because you don't have to pay up front; the only draw back is that you are paying interest on this amount, as well.

Another option is to accept a slightly higher interest rate instead of paying your closing costs. Many lenders will increase your interest rate by a half or three quarters of a point and this increased interest will allow the lender to recoup the fees that are generally covered with closing costs. This is a great option, but again you are paying more interest than you would otherwise.

As you can see, there are a lot of options that will help you make mortgage refinance more affordable for you. You don't have to have all of the cash on hand to refinance as lenders understand the position you are in. In the end, the refinance is going to cost you a bit more, but sometimes it is worth it to pay a bit more in the long run to get situated with a loan that fits your finances and your lifestyle better.

About the Author

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