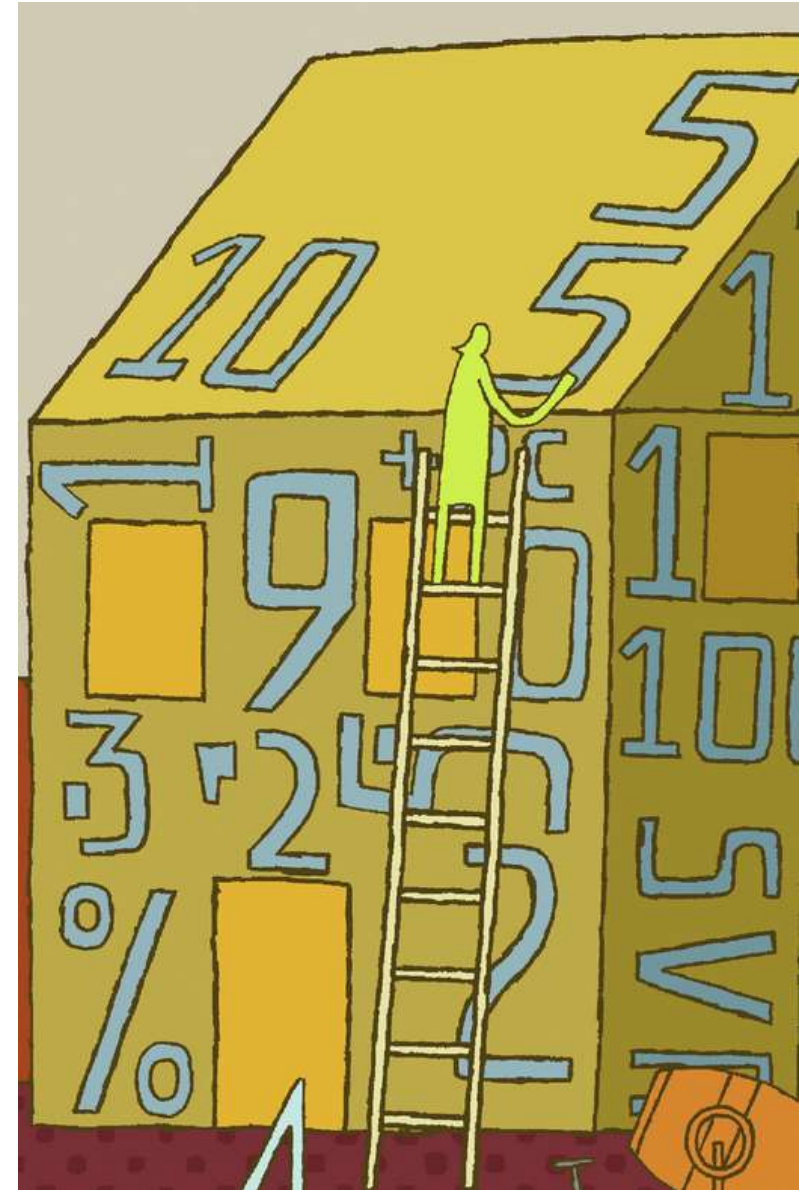

Refinance Options Review

A mortgage refinance *replaces* the current home loan with a new one.

Mortgage refinancing requires you to *qualify* for the loan, just as you had to meet the lender's requirements for the original mortgage.



Evaluating Goals: Refinancing Checklist

- Are you trying to lower your monthly payments?
- Do you want to shorten or extend the life of your loan?
- Would you like to use equity to pay off debt or fund home upgrades?
- Does refinancing make financial sense?
- Is the interest rate lower than your existing rate?
- Will the new rate increase your monthly payments?
- Will you pay more money over the entire length of the loan?
- Can you afford closing costs and fees?
 - Are you prepared to pay the loan origination/appraisal fees? Do you have these funds to pay upfront?
- Have you determined what the payoff amount will be (including any prepayment penalties)?
- Do you know what mortgage refinancing documents are needed to apply? Can you obtain them?

When & why you should refinance your home?

Reducing the monthly payment

Tap into equity

Pay off the loan quicker

Removal of Private Mortgage Insurance

Refinancing under Section 184

Section 184 has three types of refinancing options available:

- No Cash Out
- Cash Out
- Streamline Refinance

https://www.hud.gov/sites/documents/184PG_CH_11_REV_4_8_11.PDF

No Cash Out

No Cash Out is an option for homeowners wanting to reduce their interest rate or reduce the term of their loan.

- Mortgages must have a payment history of more than 6 months to be eligible for this type of refinance.
- Borrowers must credit qualify to be eligible for this type of transaction.
- Max Loan Amount is 97.75% of the Appraised Value of the Home; 98.75 if the value is \$50,000 or less.
- Acceptable Payment History of 12 consecutive monthly payments.

https://www.hud.gov/sites/documents/184PG_CH_11_REV_4_8_11.PDF



Cash Out

Cash Out is an option for homeowners needing to access their homes equity.

- Property must have been owned by the borrower as his/her principal residence for at least 12 months.
- Maximum Loan Amount is 85% of the appraised value of the home.
- Payments to third party creditors are required to be paid in full and the account closed.
- Max Cash to Borrowers are limited to \$25,000.00

Streamline

If you currently have a Section 184 loan and wish to reduce the interest rate or term of your loan, the **Streamline refinance** is a very simple way to accomplish your goal.

- No appraisal, income or asset verification is required.
- You must have made your mortgage payment on time for the past twelve months.
- Verification of Employment

https://www.hud.gov/sites/documents/184PG_CH_11_REV_4_8_11.PDF

Appraisal

With both No Cash Out and Cash Out refinance transactions, a new appraisal is always required.

https://www.hud.gov/sites/documents/184PG_CH_11_REV_4_8_11.PDF