

# Refinancing SA



STKK



# Introduction

At this point, you know refinancing could help you in a number of ways. Maybe you've even pinned down why you want to refinance.

Chances are, you want to lower your rate to lower your monthly payments, shorten your loan term to save on interest over the life of your loan, consolidate your debt, or obtain cash for some major expenses you see coming down the line.

A mortgage refinance is all about making your home work for you. So however you wish to refinance, you've got options. This guide will help inform your decision on which loan will be right for achieving your home financing goals.

# The Loan Option Breakdown

Before we jump into the nitty-gritty of your refinance, let's lay out the loan options available to you, along with some related jargon for each loan. There might even be a few you've never heard of! That's okay. This is just the beginning of comparing each refinance option.

**Fixed Rate Mortgage:** Stable interest rate and monthly payment throughout the life of the loan. 10-, 15-, 20-, 25- and 30-year options are typically offered.

Associated words: popular, stable, for the long haul

**Adjustable Rate Mortgage:** Low interest rate for the first 5, 7, or 10 years. Following that initial term, your rate and monthly payment could fluctuate based on prevailing interest rates.

Associated words: fluctuate, advantageous

**FHA Loan:** Government-insured loan program with low credit requirements and closing cost flexibility. 15- and 30-year options are typically offered.

Popular among first-time homebuyers. Associated words: flexible, affordable, government-insured

**FHA Streamline Refinance:**

Exclusively for existing FHA loan borrowers, this option offers benefits that make the refi process much faster to complete. Associated words: exclusive, flexible, seamless

**VA Loan:** Loan option exclusively for those affiliated with the military: active duty personnel, veterans, reservists, National Guard members, or surviving spouses are eligible. This loan has low credit requirements and closing cost flexibility. Associated words: military, exclusive, affordable

**VA Streamline Refinance:**

Exclusively for existing VA loan borrowers, this option offers benefits that make the refi process much faster to complete. Associated words: military, exclusive, seamless

# Which Loan Option Is Right For You?

*Now that you have a general idea of the home loans you can choose from, it's time to determine which of these options will be right for you based on what you want out of your refinance, keeping your living situation and financial status in mind.*

**Before you start comparing loan options, familiarize yourself with these mortgage terms. Each will play a vital role in your refinancing decision.**







**Credit score:** A number that reflects your creditworthiness. The number considers your payment history, amount owed, length of credit history, and other factors.

**Debt-to-income ratio (DTI):** The calculation of your gross monthly debts divided by your gross monthly income. The smaller the percentage, the better.

**Closing costs:** Home financing fees charged to the homebuyer/homeowner at closing. Included fees are: loan processing fee, origination fee, underwriting fee, and more.

**Loan-to-value (LTV) ratio:** A percentage indicating what you owe on a mortgage compared to the current value of the home.

**Next is our home loan comparison chart, broken down by their requirements, benefits, and the situations in which each might make sense for you.**

Loan Option	The Requirements	The Benefits	Right For You If...
 <p><b>Fixed Rate</b></p>	<p>Typically, a credit score of at least 620, DTI between 40-50%, and a maximum LTV of 80% (mortgage insurance required if over 80%).</p>	<p>Fixed interest rate, stable monthly payments, flexible terms, and ability to cash out with as little as 20% equity.</p>	<p>You want a lower rate, you have an ARM and want a fixed rate, you want to shorten your loan's term, or you want to get cash out.</p>
 <p><b>Adjustable Rate</b></p>	<p>Typically, a credit score of at least 620, DTI between 40-50%, and a maximum LTV of 80% (mortgage insurance required if over 80%).</p>	<p>Lower rates and payments in initial term and rate caps to limit how much your rate can increase both yearly and over the life of your loan.</p>	<p>You plan to move or refinance (again) before the rate adjusts. Or if you're expecting a boost in income soon.</p>
 <p><b>FHA Loan</b></p>	<p>Typically, a credit score of at least 580, DTI between 40-50%, and maximum LTV of 97.75% for non-cash-out and 85% for cash-out.</p>	<p>Lower rates than conventional loans, can refinance with as little as 2.25% equity, and cash out with as little as 15% equity.</p>	<p>You don't have a down payment or enough equity for a conventional loan, and/or your credit score and/or DTI ratio needs improvement.</p>
 <p><b>FHA Streamline Refinance</b></p>	<p>Must have an existing FHA loan, made on-time payments for the last 6 months, and at least 210 days have passed since closing.</p>	<p>Lower rates than conventional loans, reduced credit requirements, and no appraisal needed.</p>	<p>You have an FHA loan and there's a financial benefit to refinancing, like a lower payment or shorter term.</p>
 <p><b>VA Loan</b></p>	<p>Must have been part of the military at some point during your career, a credit score of at least 620, and a DTI around 40%.</p>	<p>Lower rates than conventional loans, multiple loan terms and types, and 100% LTV for cash-out and non-cash-out.</p>	<p>You don't have enough equity to refinance to a conventional loan and/or your credit score or DTI ratio needs improvement.</p>
 <p><b>VA Streamline Refinance</b></p>	<p>Must have an existing VA loan, be current on mortgage payments, and have no more than one 30-day late payment within the last year.</p>	<p>Lower rates than conventional loans, no minimum credit score, and no appraisal required.</p>	<p>You have a VA loan and there's a financial benefit to refinancing, like a lower payment or shorter term.</p>

