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Key Reasons why Need a Mortgage Loan Refinance

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For people who have existing mortgages, there is a good chance that the interest rates you got for your existing mortgage is no longer the best for your circumstance. Time passes and with it comes new loan products that offer better features, loan terms and mortgage rates. If thatâ€™s the case, then you have a good reason to refinance your current mortgage. Think about the possible savings you can have if you choose to refinance to a better loan.

Below are some of the reasons why a mortgage loan refinance is needed:

1. Lower mortgage rate. Obviously, this is the main reason why people choose to ditch their old mortgage for a new one. With a lower interest rate, your monthly mortgage payment will automatically go down. Refinancing works especially for people with fixed rate loans that run for 30 years as well as those who have variable rate loans. When the rates are down, people with variable rate mortgages have the option to switch to fixed rate loan with lower interest. When the rates go up, they wonâ€™t be affected. Try using a refinance mortgage calculator to see how much you can save on your monthly payments.

2. Lower interest rates mean lower mortgage terms. You heard it right. You can get a 15-year mortgage instead of the usual 30 if your interest rate is incredibly low. You will still pay the same amount but you will be paying fewer years, which means youâ€™ll be able to save 15 years worth of interest payments. Using an interest rate mortgage calculator, you can determine the cash equivalent of 180 months of interest payments. You can definitely do a lot of things with that kind of money. You can use it to fund a vacation getaway or help send your kids to college.

3. You can utilize a home equity loan to settle high interest debts. You can access the stored equity on your home by applying for a home equity loan. This way, you can settle your other loans and credit card debts. If you have the chance, lock the interest rates when they are still low to be able to get the chance to save a considerable amount of money on your mortgage payments. Mortgage tools like a mortgage calculator can give you valuable insights on how you can choose the right type of loan based on the interest rates.

Knowing when to seek a mortgage loan refinance is an important aspect of home ownership. Normally, a two to three percent decrease in interest rate is a good sign that you can effectively refinance your current home loan. However, take note that you must have a good credit rating to avail of lower interest rates.

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