

# Refi Hurdles

## What perceptions might be keeping you from saving money?

"I've read that the rate needs to be 1% or 2% lower than my current one." When average loan amounts were much lower, it took a much bigger drop in rates to achieve tangible savings. Today, even small rate differences can make a big impact. The best way to determine value is to simply divide your costs by your savings. This provides a "break-even" period, and if you know you'll be using your loan past this point, the rest is pure benefit.

"I haven't yet reached the break-even point from my last refi." That may be okay. Refinancing again will require additional investment, but it could get you to an overall break-even point—and greater savings—more quickly.

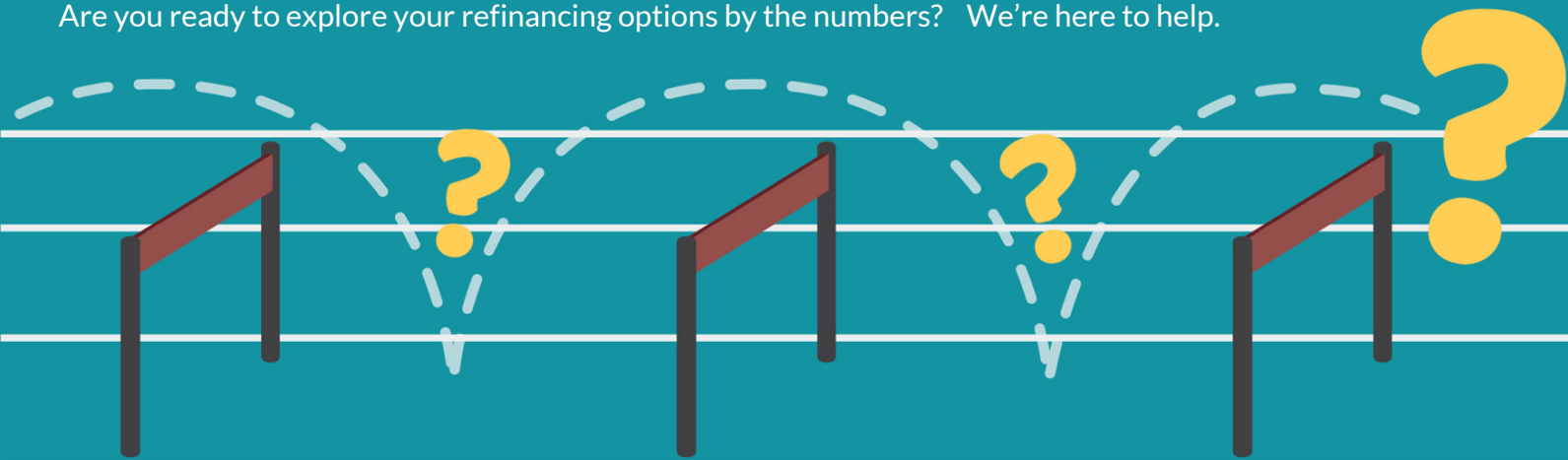
"I don't want to add years back to my loan." The new loan term created when you refinance is only on paper. You determine the actual length of the loan by how much you pay. If lowering your interest rate saves you \$100 per month, add that money to your new payment. You will reduce your balance more quickly and reach free and clear ownership faster than you would by keeping your current loan.

"It's too expensive. I'd rather save my money." Refinancing is all about saving money! The historically low interest rates that make refinancing such a good deal right now also make "saving" your money in the bank a lousy one. Banks are paying just fractions of a percent to hold your cash, but investing in a refinance could save you hundreds of dollars per month for a far greater yield.

Example: If closing costs = \$3,600 and annual savings = \$1,200, that's a 33% rate of return on your money ( $\$3,600 \times 33.3\% = \$1,200$ ). Even better, you can often refinance without using any funds "out of pocket."

**Refinancing can have other benefits, too. A lower rate may mean not only a smaller payment but also more paid toward principal each month. You may be able to free up cash for renovating your home, financing a college education, purchasing a vacation home or investing in property without adding to your monthly expenditures.**

Are you ready to explore your refinancing options by the numbers? We're here to help.



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