5 Things to Know Before Refinancing

Refinancing can save you thousands — or cost you if the timing is wrong. Check these five things before you apply, from break-even math to credit timing.

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"Should I refinance?" is one of the most common questions we get — and the honest answer is always: *it depends on your numbers.* Refinancing can genuinely save you tens of thousands of dollars. It can also cost you money if the timing or structure is wrong.

Here are the five things to check before you apply.

1. Know Your Break-Even Point

A refinance has closing costs — typically 2–3% of the loan amount. The math that matters is simple:

> **Break-even = closing costs ÷ monthly savings.**
>
> Example: refinancing costs $6,000 and saves you $250/month. $6,000 ÷ $250 = 24 months. If you'll stay in the home longer than 2 years, the refinance pays for itself; if you're planning to sell next year, it doesn't.

Any quote you get should come with this number. If nobody has shown you your break-even point, you haven't gotten real advice yet.

2. Your Rate Depends on More Than "the Market"

The rate you'll be offered is priced from your specific scenario: your credit score band, how much equity you have, the property type, and whether you're taking cash out. Two neighbors refinancing the same week can get very different rates.

This cuts both ways: maybe rates dropped, but your credit dipped since you bought — or maybe rates only dropped a little, but your credit improved a lot and your home gained equity, making your *personal* rate much better. The only way to know is to price your actual scenario. (We wrote a full breakdown: *What's Really Inside Your Mortgage Rate?*)

3. Rate & Term vs. Cash-Out: They're Priced Differently

- **Rate & term refinance** — you replace your loan with a better one, same balance. Baseline pricing.
- **Cash-out refinance** — you pull equity out as cash. Lenders add a pricing adjustment that grows with how much of your home's value you borrow.

If you need cash, compare the cash-out refinance against leaving your first mortgage alone and adding a second lien (like a HELOC) — when your existing rate is low, keeping it and borrowing separately often wins. If you don't need cash, don't take it just because it's offered: taking even a little cash out moves your whole loan to the more expensive pricing.

4. Watch the Term Reset

You're 7 years into a 30-year loan. Refinancing into a new 30-year loan drops your payment — partly because of the better rate, and partly because you just stretched the remaining debt over 30 fresh years. That's not savings; that's more total interest.

Ask to see a **25-year, 20-year, or 15-year** option next to the 30. Shorter terms also carry lower rates, and matching your new term to your remaining years keeps the "savings" honest.

5. Prepare Your Credit Before You Apply, Not After

Your refinance rate is locked based on the credit score at application. The same preparation that helps homebuyers helps refinancers:

- Pay card balances down **before** the lender pulls your credit — utilization moves scores fast.
- Don't open new accounts or finance furniture/cars in the weeks before applying.
- If you're a few points below a 20-point score band (699, 719, 739...), tell us — crossing that line changes your pricing, and a rapid rescore can sometimes get you there in days.

> **Bonus: don't forget PMI.** If you bought with less than 20% down and your home has appreciated, a refinance (or sometimes just a request to your current servicer) can remove private mortgage insurance — savings on top of any rate improvement.

The Bottom Line

A good refinance decision needs four numbers: your current rate, your new rate, your closing costs, and your time horizon. We'll run all of it with you — across 50+ wholesale lenders, in English, Portuguese, or Spanish — and if the math says "don't refinance yet," we'll tell you that too.

Let's Talk About Your Mortgage

Our team serves you in English, Portuguese, and Spanish — no cost, no obligation.

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