

# REFINANCING *Guide*



Everything You Need to Know  
About the How, Why, and When of  
Refinancing Your Mortgage



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# Introduction

At Compass Mortgage, our goal is help you realize your dreams of homeownership and to assist you in the long-term management of your mortgage so that you can get the most out of your home. We are committed to providing you with an exceptional level of service that exceeds your expectations.

Our Refi Handbook will help you better understand what it means to refinance your mortgage and when it might be beneficial for you to consider.



## WHO IS COMPASS?

Compass is a mortgage banker, not a mortgage broker. This subtle but important distinction gives us a greater level of control over the loan process and allows us to provide a higher level of service to our clients because we fund and close our loans.

We do underwriting in house which, in most cases, gives us the ability to approve the loans we originate. Because of this, we can quickly turn around a loan which might make the difference between getting the house you want or losing it to another buyer.

Mortgages are our only business, and our passion is to help our clients make informed decisions regarding their home financing. Our experienced staff is always here to answer questions you might have!



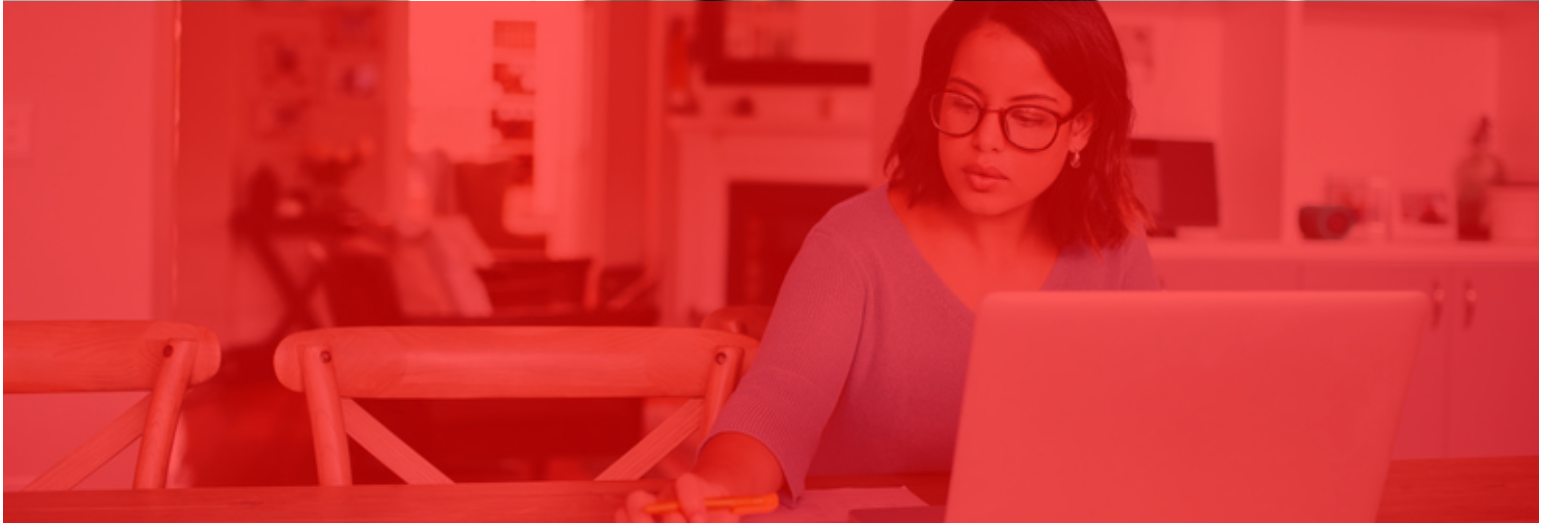
*Dan Graham*

Chairman & CEO  
Compass Mortgage



# REFINANCING *Your Mortgage*

Refinancing your mortgage can offer many benefits. A new loan term or lower interest rate can reduce your monthly mortgage payment, free up equity, and reduce the amount of interest paid over the life of the loan. Understanding the refinancing process will help you evaluate if refinancing is the right choice for you!



## WHAT'S YOUR REFINANCING GOAL?

### GET CASH

Cashing out your equity can give you the flexibility to pay off debt. You can also use the cash to pay for large upcoming expenses, like a child's wedding, college, medical expenses, home renovations, etc.

### REDUCE YOUR INTEREST RATE

This is the most common goal of a refinance, but some homeowners also appreciate the ability to extend the loan back out to 30 years which will reduce the monthly payment.

### CONSOLIDATE DEBT

Some homeowners wish to combine their first mortgage with a home equity line of credit or other debt so they can consolidate into one monthly payment at a lower interest rate.

### CONVERT TO A FIXED RATE

The main benefit of converting from an adjustable rate mortgage (ARM) to a fixed rate mortgage is stability. This can make it easier to set your monthly budget and give you peace of mind that your rates won't fluctuate up. With this change though, your rate will also not decrease if rates were to fall.

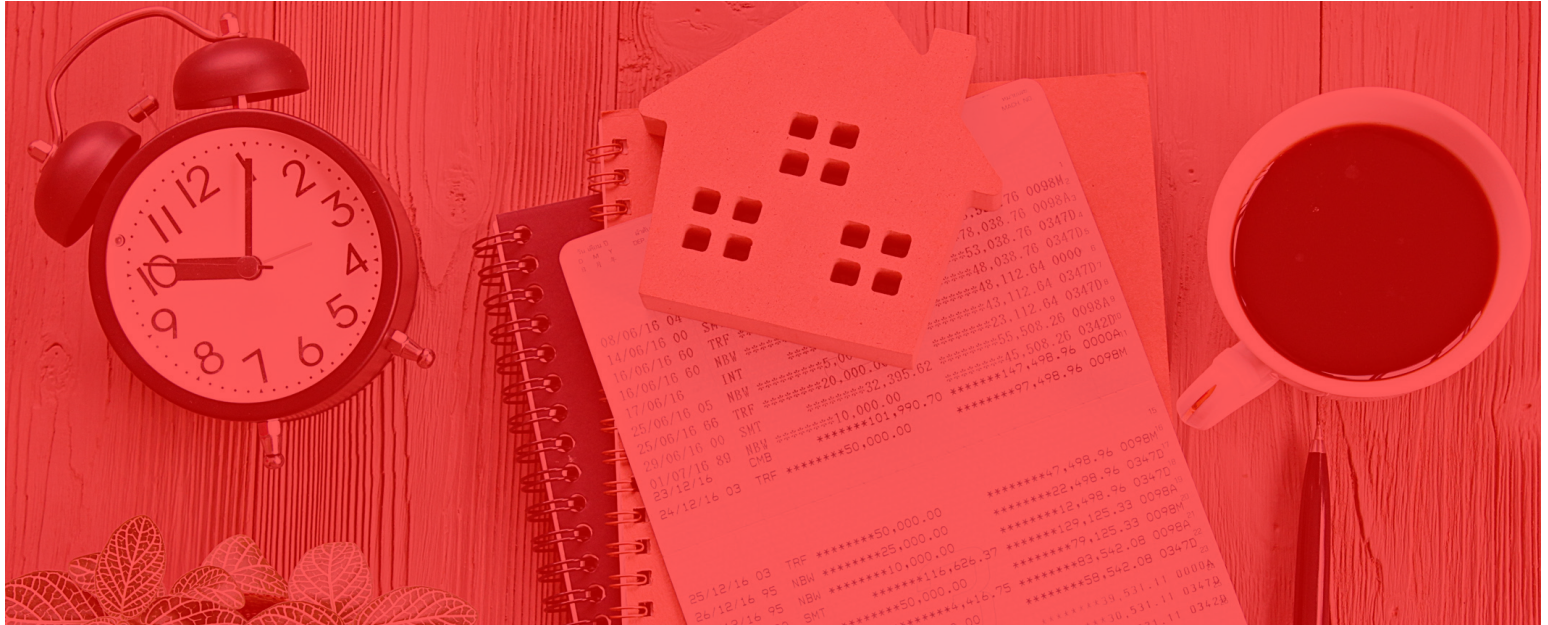
### SHORTEN LOAN TERM

With dropping interest rates, many homeowners choose to refinance their loan at a lower interest rate that also allows them to shorten their loan period—without much change to the monthly payment.

## TYPES OF REFINANCES

There are two major types of refinances: Cash-out and standard. A cash-out refinance is when you take out a new mortgage for a greater amount than that of the previous mortgage. The difference is taken out in cash. A standard refinance refers to refinancing the existing mortgage balance.

A cash-out refinance typically has a higher interest rate than a standard refinance because the lender has more money at risk. Cash-out refinances are often used to pay for unsecured debt, such as credit card debt, medical bills, utilities, or another loan/credit that was given without a collateral requirement.



## WHEN TO REFINANCE

The best time to refinance depends varies from loan to loan, and person to person. When you meet with your loan officer to consider options with refinancing, you will be determining whether a refinance is logical for your unique situation.

Generally, at least on of the following conditions should be present when you are considering refinancing your mortgage:

- Interest rates have decreased/are decreasing
- Your home value has significantly appreciated
- You've been making payments on your original 30-year mortgage for less than 10 years with the majority of your early payments going entirely towards interest.

Refinancing is the process of paying off an existing loan(s) by taking a new loan and using the same property as security. Reducing your mortgage payment, shortening the term of your loan, using equity to reduce your debt, etc. all sound like great benefits, but your will need to consider the following first:

- How long am I planning to stay in my home?
- What is the cost of refinancing?
- What is my break-even point? Divide the fees for your new mortgage by the monthly savings. This will give you the number of months it will take you to break even.
- What is my home value?

## REFINANCING COSTS

Just like your original mortgage, a refinance comes with costs. You will need to pay closing costs, title insurance, and attorney's fees. You may also have to pay for an appraisal, taxes and transfer fees. These costs are vital to determining whether a refinance is a good idea for you. Will the savings you'll gain from the lower interest rate offset the cost you'll incur from refinancing?

Closing costs can vary according to the interest rate. If you want the lowest rate available, you will likely pay higher closing costs. Closing costs of refinances are typically less than those of a purchase but vary from state to state.

Lender may also offer no-closing costs refinances. A no-cost refinance doesn't mean the lender is waiving costs, but financing them, either by raising your interest rate or adding it to your total mortgage balance. No-closing cost refinances are typically a good idea for homeowners who don't plan to stay in the home for an extended period, or homeowners that are likely to refinance soon. No-cost refinancing might also make sense for homeowners wanting to cash out their equity to use for renovations.





# Home TO A BETTER MORTGAGE EXPERIENCE



**877.793.9362**  
**contactus@compmort.com**  
**www.compmort.com**

## **WARRENVILLE, IL**

630.393.9362  
27755 Diehl Road  
Suite 100  
Warrenville, IL 60555

## **BURR RIDGE, IL**

630.821.3503  
150 Harvester Drive  
Suite 170  
Burr Ridge, IL 60527

## **CHICAGO, IL**

773.644.2949  
954 W Washington Blvd.  
Suite 500  
Chicago, IL 60607

## **GENEVA, IL**

630.445.6300  
477 S. 3rd Street  
Suite 250  
Geneva, IL 60134

## **PALM CITY, FL**

630.821.3530  
1473 SW Seagull Way  
Palm City, FL 34990

## **ANKENY, IA**

515.963.7904  
1200 SW State St.  
Suite F  
Ankeny, IA 50023

## **BLOOMINGTON, IL**

309.445.8947  
501 South Towanda Barnes Rd.  
Suite 2  
Bloomington, IL 61705

## **MINNETONKA, MN**

612.656.3291  
601 S Carlson Parkway  
Suite 1082  
Minnetonka, MN 55305

## **NEWTON, IA**

641.275.9200  
345 W. 4th St. N  
Newton, IA 50208



NMLS# 21808 - Illinois: MB.0005795, Arizona: 0909436 (dba Compass Mortgage Lending, Inc.), California: 4131332 (dba Compass Mortgage Lending, Inc.), Colorado: 21808 (dba Compass Mortgage Lending, Inc.), Florida: MLD308 (dba Compass Mortgage Lending, Inc.), Georgia: 38332, Indiana: 11020, Iowa: MBK-2001-0104, Michigan: FL2845 / SR0013053, Tennessee: 135374, Texas: 21808, Wisconsin: 38296BA/21808BR, Minnesota: MN-MO-21808, Ohio: RM.804327.000 - Illinois Residential Mortgage Licensee, Licensed by the Department of Business Oversight under the California Residential Mortgage Lending Act

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