# MORTGAGE
# Refinance Guide

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## MEET YOUR
# Loan Officer

Our loan officers are here to act as your financial counselor throughout the mortgage refinance process. Refinancing your mortgage can help set you up for a successful financial future. We want to make that transaction as smooth as possible.

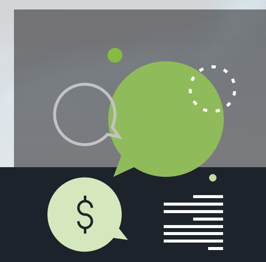
### THE ADVANTAGE

We are able to deliver personalized customer service with the resources of a local lender. Borrowers prefer working with CMG Financial because of our:

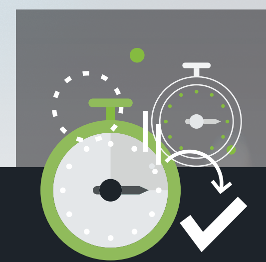
**Reliable Prequalifications / Preapprovals**

**Competitive Rates**

**Robust Menu of Loan Products**



**Transparent Communication**



**Dependable On-Time Closings**

# Reasons to **REFINANCE**

A mortgage refinance can help you lower your monthly mortgage payment, change your loan terms, remove mortgage insurance, or withdraw cash for home improvement projects. There will be times during the life of your loan when refinancing is a good idea, and there will be other times when it's not the best option.

### **THE 5 TOP REASONS** HOMEOWNERS CHOOSE TO REFINANCE

**Lower Mortgage Payment**

In some cases, switching to a different loan program can help lower your monthly mortgage payment. Refinancing to lower your payment may extend your mortgage terms, depending on the type of loan.

**Lower Interest Rate**

Your mortgage interest rate is determined by your financial profile at the time of loan origination and greater economic influencers like the Federal benchmark interest rate. If interest rates are lower than they were when you originated your original loan, you may benefit from an interest rate refinance.

**Change from Adjustable-Rate to Fixed-Rate**

An adjustable-rate mortgage will fluctuate but a fixed-rate mortgage will maintain the same interest rate throughout the life of the loan. An adjustable-rate mortgage will have a lower interest rate initially but may increase over time. Refinancing to a fixed-rate mortgage ensures the interest rate will stay the same for the duration of the loan term.

**Shorten the Term of the Loan**

Mortgage terms range from traditional 15- and 30-year terms to 10, 7, 3, and even 1-year options. Usually, shorter loan terms carry a lower interest rate, and you'll pay less interest over time.

**Refinance to Cash Out Home Equity**

If you have at least 20% equity in your home, you can refinance to withdraw home equity. Most financial planners recommend using home equity for something like a home renovation or to responsibly pay down debt. If you have another investment opportunity, consult a financial planner before moving forward with a cash-out refinance.

# Types of **REFINANCE**

### Rate and Term Refinance

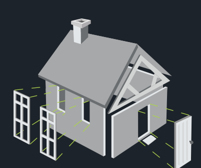
The most common type of refinance is known as a "rate and term refinance" or a refinance to get a lower interest rate or change the terms of the original loan. Homeowners may also refinance into a different type of loan. For example, a first-time home buyer who used an FHA Loan might benefit from switching to a conventional mortgage loan after they have had several years to build their credit and improve their financial profile.

### Cash Out Refinance

Some homeowners may choose a cash out refinance to raise the balance of their mortgage loan to pay for other expenses. Not to be confused with a Home Equity Line of Credit (HELOC), a cash out refinance involves originating a new mortgage for a larger value than the original loan. In the case of a cash out refinance, the monthly mortgage payment will increase to cover the cost of the larger loan. For a HELOC, the lender issues an agreed amount of money using the borrower's equity in the home as collateral.

### Cash In Refinance

A cash in refinance allows the borrower to lower their loan-to-value amount by making a payment toward the loan principal to potentially lower the monthly mortgage payment. A cash in refinance is a great option for a borrower who has the funds available through a bonus, inheritance, or other source.



### Renovation Refinance

When a home is need of repair or remodel, renovation financing may be a better option than taking out a personal loan or using a credit card. With home prices on the rise, many homeowners are choosing to stay in their home longer and complete repairs or remodels through renovation financing, rather than shopping for a new, more expensive home that fits their needs. With a renovation refinance the cost of the renovation is financed into the cost of the existing mortgage into one convenient monthly payment.

## THE
# All In One Loan™


Most Americans finance their home over a period of 30 years. During that time, you spend thousands of dollars on mortgage interest, without making a significant dent in your mortgage debt.

Mortgage interest is one of life's biggest financial obstructions.

What if your mortgage could help finance your healthcare needs, send your kids to college, grow your retirement savings, and help you prepare for unexpected costs?

The All In One Loan™ allows you to plan for your financial future.

**All In One Loan™ Advantages**

- Pay off your mortgage sooner
- Build equity faster
- Save thousands on mortgage interest
- Access funds 24/7

Combine banking and borrowing into one account. Apply all deposits toward your mortgage principal first, reduce the cost of mortgage interest, and access your equity whenever you need it.

## Apply extra funds that would've gone to interest on:

Retirement planning | Education Costs | Healthcare Costs | Personal Investments | Emergencies

# Mortgage **TERMS**

## My Mortgage Payment

Your monthly mortgage payment is made up of several components. This housing expense is commonly referred to as P.I.T.I. or Principal, Interest, Taxes and Insurance. Mortgage Insurance, Flood Insurance, and Homeowners Association fees may also be a portion of your total payment.

**Principal** – The portion of your payment that is applied to pay down your mortgage.

**Interest** – A charge for the use, or loan, of money. The interest is calculated on unpaid principal balance.

**Taxes** – The county assessor charges property tax based on the valuation of your home. For example, in California, there are two tax installments due each year; one in November, the second in April.

**Insurance** – This pays for losses from certain hazards, including fire. This standard insurance pays for replacement costs based on actual cash value.

**Homeowners Association (HOA) Dues** – Fees paid by homeowners within a community of homes, condos, townhouses, or planned unit developments (P.U.D.). HOA dues are collected to cover the cost and maintenance of communal areas to the property.

**Mortgage Insurance (MI)** – Depending on your loan program or the amount of your down payment, you may be required to have MI. Anything less than 20% down - a higher note of default - requires MI. Because loans with small down payments involve substantially more risk for the lender, they require insurance as a hedge against borrower default. The cost of MI varies according to your loan type, down payment, and credit score. FHA Loans charge a fee for life-of-loan mortgage insurance, called Mortgage Insurance Premium (MIP). VA Loans charge an upfront Guaranty Fee in lieu of a monthly mortgage insurance fee.

## Closing Costs

Below is an overview of the types of closing costs you may incur. When you apply for your loan, you will receive a Loan Estimate and a booklet that will explain these costs in detail. At loan closing, you will receive a Closing Disclosure summarizing your actual loan costs and fees.

**Appraisal Fee** – Conducted by an independent appraisal company, this pays for a statement of property value for the lender. You will receive your own copy.

**Credit Report Fee** – This covers the cost of the credit report that is run by an independent credit-reporting agency and is used to prequalify you for a loan and to underwrite your completed loan application.

**Impound Account** – If you choose to have an impound account, have a government funded FHA or VA Loan, or if your down payment is less than 20%, the lender may require you to establish an account held in trust for you by the lender to pay the costs of your property taxes and insurance. Your monthly payment will include the loan Principal, Interest, Taxes, and Insurance (collectively, P.I.T.I.).

**Loan Discount** – Often called discount points, a loan discount is a one-time charge used to buy down your specific transaction's interest rate. One point is equal to 1% of the loan amount.

**Loan Origination** – This fee covers the lender's costs for originating your loan.

**Title Charges and Document Preparation** – The title company may charge one-time fees for a title search and examination, document preparation, notary fees, recording fees, courier fees, and a settlement or closing fee. There are two title policies with a one-time fee: a lender's title policy, which protects the lender against losses due to defects on title, and a buyers title policy, which protects the borrower against defects on the title.

**Prepaid Interest** – Amount accrued on a daily basis from the date of loan closing to the due date of your first loan payment.

**Taxes and Hazard Insurance** – You will be expected to pay for property taxes upfront, including the entire years' hazard insurance premium. In addition, you may be required to allocate property taxes and property insurance (may include homeowners, flood) into a reserve account, called an impound account, held by the lender.

## IT'S NOT HOW LONG YOU STAY IN YOUR HOME,

## It's how long you stay in your loan.

A mortgage refinance is the right option in many cases. Refinancing your mortgage loan can help shorten the loan terms, lower your monthly payment, remove mortgage insurance, and more.

### HOW OFTEN CAN YOU REFINANCE YOUR MORTGAGE?

Depending on the loan program, a mortgage loan will require a seasoning period before you refinance. In most cases, the borrower must have made at least six consecutive monthly mortgage payments on the loan being financed, and the refinance can occur no earlier than 210 days after the first payment is due. Check with your mortgage loan officer to learn more about your specific loan program.

### SCENARIO:

***Brady and Melissa refinanced their home twice in one year – how does that work and how did they benefit?***

"We originally refinanced our 30-year fixed-rate mortgage to get a lower interest rate and remove Private Mortgage Insurance. When we bought our home, we were first-time home buyers and put down less than 20%. With our first refinance, we were able to lower our interest rate from 6.25% to 5.0%. We refinanced again to a 15-year fixed-rate loan, to secure an interest rate of 4.25%. Our payments are higher, but we will be paying less interest in the long-term. We were also able to secure a 'fee-free refinance' by accepting a higher interest rate, the lender paid for closing costs."

*Source: NerdWallet*

# Before You REFINANCE

Before you make the decision to refinance your mortgage, complete the important checklist below.

**Define Refinance Goal**
Do you want to shorten your loan term? Lower your interest rate or monthly mortgage payment? Withdraw cash for a home renovation project? Defining your refinance goal will determine what type of loan refinance you will need.

**Locate Relevant Documents**
A mortgage refinance is a new loan origination, and just like when you financed your original purchase you are going to need all of your important documents. Get your bank statements, W2s, pay stubs, government-issued identification, and other documents together ahead of time to streamline the process.

**Compare the Alternatives**
For example, if you are interested in a cash-out refinance to pay down other debt, explore alternative options and like payment plans with your credit cards or a student loan refinance and weigh your options before settling on a cash-out mortgage refinance.

**Calculate the Cost to Switch**
Since a mortgage refinance is a new loan origination, you will typically have to pay lender fees and closing costs. Meeting with a loan officer ahead of time can help you estimate how much those costs will add up and help you determine if you can afford a mortgage refinance at this time.

**Calculate the "Break Even" Point**
One of the most common reasons to refinance is to lower the monthly mortgage payment or overall cost of the loan. Since a refinance will be a new loan origination, make sure to calculate the "break even" point and determine how long it will take to start saving money with your mortgage refinance.

# The Refinance PROCESS

Once you've decided you're ready to refinance and have met with a loan officer to determine the type of refinance you will need, you're ready to get started!

1 **Complete the Refinance Application**
Just like when you purchased your home, you will need to complete a mortgage application with information about yourself and the home. This can be completed through the CMG Home App, over the phone, or in person.

2 **Consent to Proceed**
A Notice of Intent to Proceed with Loan Application (NIPLA) is a letter signed by you to grant the lender permission to proceed with your application.

3 **Submit Documents**
Paperwork please! You'll need signed disclosures, bank statements, W2s, tax returns, and more. Getting these documents together ahead of time will help speed this up.

4 **Get a Loan Estimate**
Lenders are required to provide a Loan Estimate (LE) within 3 days of receiving your loan application. The LE estimates the fees and closing costs that will be associated with your mortgage refinance and will summarize your new loan terms and monthly payment.

5 **Get a Home Appraisal**
Even though you had a home appraisal when you bought your home, the value might have changed. The refinance appraisal will account for any upgrades you've made to your home and any home value appreciation that has occurred in your market since your home purchase.

6 **Receive a Final Decision**
Once you've finished everything above, an underwriter will review your complete application and issue a final decision.

7 **Close Your Loan**
When you receive final approval, you're ready to close. You'll have to sign all of your paperwork and pay any lender's fees at this time.

MEET THE

# Appraiser

Once you've decided you're ready to refinance and have met with a loan officer to determine the type of refinance you will need, you're ready to get started!

Buying a new home or refinancing your current mortgage will typically require a home appraisal to determine its fair market value. The appraiser operates independently to make an unbiased decision.

An appraisal differs from a home inspection in that an appraiser determines the value of the house and the inspector determines what repairs are needed and what they will cost. The appraiser will compare the price of the home for sale with the value of other homes in the area and give the buyer, seller, and lender a detailed report on how the value was calculated.

Appraisal fees generally range from $450 to $750, depending on the market. In most cases, the homeowner will be responsible for the cost of the appraisal. The final appraisal report is based on the size and condition of the home, the number of permanent fixtures like lights and faucets, details about any renovations you've completed, notes about the changes in the value of surrounding properties, maps and photographs as needed, and the detailed market analysis based on comparable homes.

A low appraisal might prevent the refinance transaction from moving forward. Other options apply based on the loan program, and the homeowner should consult a real estate professional for further information.

# Refinance **TIPS AND TRICKS**

Once you've decided you're ready to refinance and have met with a loan officer to determine the type of refinance you will need, you're ready to get started!

1. **Be Prepared**
   Gather important documents ahead of time. Meet with a loan officer and review what type of refinance will help you achieve your goals.

2. **Keep up with Your Credit Score**
   A refinance is a new mortgage origination. Be proactive about maintaining a good credit score, be responsible about paying down debt, and avoid opening new lines of credit.

3. **Use Rising Home Prices to Your Advantage**
   In most cases, your home's value has appreciated since you purchased it.

4. **Consider Paying More**
   The terms of your loan will influence how much interest you pay over time. A shorter loan term will cost less in mortgage interest over time, but you'll have a higher monthly payment. Depending on your budget, the higher monthly payment may be worth the lower interest rate.