

# What to know about refinancing a mortgage

Historically low interest rates have made now a good time to be a homeowner. According to the Federal Home Loan Mortgage Corporation, also known as Freddie Mac, the average interest rate on a 30-year fixed-rate mortgage in mid-September 2021 was 2.86. Just ten years earlier, the average rate was 4.09. That's a significant dip, and one that's saving today's homeowners tens of thousands of dollars over the life of their mortgages.

Interest rates dipped during the pandemic and have remained low ever since. That's unlikely to last forever, which has given many homeowners a sense of urgency regarding refinancing. Refinancing can be financially advantageous, but

there are some things homeowners should know prior to contacting their lenders.

Refinancing does not always save money over the long haul

It's hard to blame homeowners who jump at the chance to refinance their mortgages. Refinancing is often associated with significantly lower monthly payments, and such savings can be used to finance home improvements, pay for tuition or build retirement nest eggs. However, homeowners won't necessarily save money over the long haul if they're refinancing an existing 30-year mortgage with another 30-year mortgage.



The mortgage experts at Mortgage Calculator note that a Change Terms mortgage refinance is characterized by a shift to a loan charging a lower interest rate. The initial savings with such a refinance are undeniable, but changing from one 30-year to another 30-year restarts the mortgage clock, which can add years to the time homeowners will be repaying their debt. As a result, homeowners may end up paying more interest over time than they might have had they just kept their initial mortgage. Homeowners interested in a Change Terms refinance may want to look

into switching from a 30-year to a 15-year mortgage. A shorter term mortgage will increase the monthly payment, but the loan will reach maturity much faster, greatly reducing the amount of interest homeowners will pay over the life of the mortgage.

**Refinancing can be costly**  
Lower monthly payments might be the number that catches homeowners' eyes as they look to refinance, but it's important that homeowners recognize that

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overhaul. While solid hardwood flooring may be preferable, there are many types of laminate flooring that mimic the looks of popular wood colors and styles for a fraction of the cost. Plus, many are sold at home improvement retailers and even at warehouse clubs or online for reasonable prices. Laminate flooring also may be a potential DIY job for a skilled homeowner, saving even more money.

- Introduce a fireplace. Fireplaces

were once hot commodities, but that popularity waned in the 1970s and 1980s. Homeowners with chimneys may discover a fireplace was boarded over and the bare bones still exist that can be renovated to bring back character. There also are ventless freestanding units that are quite affordable that can mimic the look of a built-in fireplace.

- Reupholster instead of replace furniture. There's no need to throw away quality furniture if the fabric

is the only thing impeding design. New upholstery or even a slipcover can update designs.

- Conquer clutter. Rather than adding something to the living room, remove clutter to give the room a more airy feel. This can instantly change the look of the room. Use cord covers to tame plugs for electronics and remove unnecessary furniture from the room.

- Improve lighting. Another easy and often inexpensive fix is to change lighting fixtures, including using brighter, more energy efficient LED bulbs, and to assess lighting needs to eliminate dark corners of rooms that can make the space seem drab.

Living room spaces in need of an update often can benefit from improvements that go easy on the wallet.