



CONSIDER OTHER MORTGAGE PROGRAMS

If you are thinking about refinancing your mortgage, you might want to consider other types of mortgages. For example, you might want to look into a 15-year, fixed-rate mortgage. In this plan, your mortgage payments are somewhat higher than a longer-term loan, but you pay substantially less interest over the life of the loan and build equity more quickly. (Of course, this also means you have less interest to deduct on your income tax return.)

You also might want to consider refinancing if you have an adjustable rate mortgage with high or no limits on interest rate increases. You might want to switch to a fixed-rate mortgage or to an adjustable rate mortgage that limits changes in the rate at each adjustment date as well as over the life of the loan.

If you decide to apply for refinancing with a particular mortgage company, and if you do not want to let the interest rate "float" until closing, get a written statement to guarantee the interest rate and the number of discount points that you will pay at closing. This binding commitment or "lock-in" ensures that the mortgage company will not raise these costs even if rates increase before you settle on the new loan. You also may consider requesting an agreement where the interest rate can decrease but not increase before closing. If you cannot get the mortgage company to put this information in writing, you may wish to choose one that will provide this important information.

Most companies place a limit on the length of time (say, 60 days) they will guarantee the interest rate. You must sign the loan during that time or lose the benefit of that particular rate. Because many people refinance their mortgages when rates decline, there may be a delay in processing the papers. Therefore, you may want to contact the company periodically to check on the progress of your loan approval and to see if additional information is needed.