PREMIER
MORTGAGE GROUP

experience the difference

GET YOUR HANDS ON SOME CASH

Another way to make a refinance work for you is to refinance for more than the balance remaining on your old mortgage -- in effect, tapping your home equity, or "cashing out," in mortgage speak. Thanks to favorable rates, you may be able to do so without boosting your monthly outlay. For example, at 8.5%, the payment on a $200,000, 30-year fixed-rate mortgage is $1,538. But at 7.5%, that same payment lets you borrow nearly $20,000 more.

The best use for the extra cash is to pay off any higher-rate loans you may have. Let's say that you are carrying a $15,000 car loan at 10% and making minimum payments on a $10,000 credit-card balance at 17%. Your monthly payments on those debts would total $680. Then assume you refinanced your mortgage, taking out an additional $25,000 to pay off your car and credit-card loans. Result: At 7.5%, your additional monthly mortgage payment would total only $175, so you would come out $505 ahead ($680-$175=$505).

Of course, all the extra cash needn't go for paying off debts. When the Menards swapped their ARM for a fixed-rate last December, they also increased their mortgage load by $34,000, from $106,000 to $140,000. They used $3,000 of the proceeds to pay their refinancing costs and another $17,000 to pay off a 10% home-equity loan, which had been costing them $250 a month. Then they spent the remaining $14,000 to build a garage for Roger's antique-car collection -- and they did all this for just another $19 a month.

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