

# Refinance Your Rural Home to Reduce Costs and Access Cash

A home represents so many things – family, security, comfort and success, to name a few. It's also likely to be your single biggest asset, and that's both a powerful tool in your financial arsenal and an expensive monthly obligation. You can access the financial reserves and reduce your obligations by refinancing your home mortgage.

## Refinancing Benefits

One of the most common reasons people refinance their mortgages is to lock in a lower interest rate to drop the monthly payments and reduce the cost of the loan overall. The degree of difference depends on the difference between the initial and new interest rates. To decide whether refinancing makes sense, calculate your anticipated savings and compare it against the closing costs for the new loan – if the savings won't be more than the costs, it's not worth refinancing unless you're also making other changes to the loan.

A second very common reason for refinancing is to access the equity in the form of a cash payment, which can then be used for any number of things from home improvements to higher education (although there are some restrictions, for example if you plan to use the cash from one home to finance another). This cash payment effectively increases the amount of your loan, so your monthly loan payment will likely increase unless you're also making other changes.

Refinancing can also be used to modify the duration of your loan, and in either direction. All other things being equal, if



you opt for a shorter term so the loan is paid off sooner, your monthly payments will almost certainly go up; if you move to a longer term, your payments will most likely go down.

You may also opt to refinance to change your loan structure, such as from a variable to a fixed rate, or to remove a balloon payment. If you're in doubt about whether refinancing can help you achieve one of your financial goals, **talk to one of Farm Credit's Rural Lending Experts at 855-GoRural.**



## How to Refinance

Refinancing a mortgage primarily follows the same steps as the initial mortgage process, and takes the same 45 – 60 days to complete:

1. **Contact your lender** and complete an application. You can reach a Farm Credit Rural Lending Expert at 855-GoRural.
2. **Provide the needed documentation**, including bank statements, income tax returns and pay stubs.
3. **The lender will review the documentation**, and if all is in order, will schedule an appraisal that you'll need to pay for out of pocket.
4. **At closing you'll sign new loan documents** and pay the closing costs, unless they've been rolled into the loan.

## Getting Started

Refinancing your biggest asset can give you more financial flexibility, whether through a lump sum payment or reduced monthly expenses.



Take the first step by contacting Farm Credit at **855-GoRural** – our Rural Lending Experts are eager to help you reach your country dream.