WHEN DOES IT MAKE SENSE TO REFINANCE?

Break-Even Analysis, Rate-and-Term vs. Cash-Out, and Smart Decision Making

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Welcome from Aaron Bath

As a top-producing mortgage loan officer serving South Florida, I've helped hundreds of families and investors navigate the home financing process. These guides are designed to give you clear, actionable information so you can make confident decisions. My goal is to be your trusted resource — today and for years to come.

The Break-Even Analysis — The Most Important Calculation

Refinancing only makes sense if you will stay in the home long enough to recoup the closing costs through lower monthly payments. This is called the break-even point.

- **How to Calculate Break-Even:** Total closing costs ÷ Monthly payment savings = Number of months to break even. Example: $6,000 in closing costs and $250/month savings = 24 months (2 years) to break even.
- **Rate-and-Term Refinance:** You are replacing your current loan with a new loan at a lower rate and/or different term, with no cash taken out. This is the most common and usually has the lowest closing costs.
- **Cash-Out Refinance:** You borrow more than you currently owe and take the difference in cash. Useful for debt consolidation, home improvements, or accessing equity. Rates are typically higher than rate-and-term, and there may be additional considerations (LTV limits, seasoning requirements).

■ Florida-Specific Consideration

Many Florida homeowners have seen significant increases in homeowners insurance and property taxes in recent years. Even if your note rate hasn't changed much, your total PITI payment may have risen. A refinance can sometimes recalculate escrow and provide relief, or allow you to roll in some costs. We run full "before and after" scenarios including current insurance and tax estimates.

When Refinancing Makes Sense

Here are the most common scenarios where refinancing is worth exploring:

- **Interest rates have dropped significantly:** If your current rate is 1% or more above current market rates, and you plan to stay in the home at least 3-5 years, it's often worth running the numbers.
- **You want to shorten your loan term:** Moving from a 30-year to a 15-year mortgage can save tens of thousands in interest, though your monthly payment will increase. We can show you the total interest savings.
- **You want to remove PMI or MIP:** If you now have 20%+ equity, refinancing to remove private mortgage insurance or FHA MIP can save $100-300+/month. This is especially powerful for FHA loans where MIP often lasts the life of the loan.
- **Consolidate high-interest debt:** A cash-out refinance to pay off credit cards, personal loans, or other high-rate debt can make sense if the new mortgage rate is significantly lower and you have a solid plan to avoid re-accumulating debt.
- **Access equity for home improvements:** Cash-out refis can fund major renovations that increase home value, especially in Florida's strong housing market. We can discuss renovation loan options like Fannie Mae HomeStyle as well.

When Refinancing May NOT Make Sense

It's equally important to know when to wait or look at alternatives:

- Your break-even point is longer than you plan to stay in the home (e.g., 5+ years break-even but you may move in 3 years).
- You have very little equity and would need to bring cash to closing or have a high LTV that triggers higher rates or mortgage insurance.
- Your current loan has no prepayment penalty and you can make extra payments to pay it down faster without refinancing.
- You recently closed on your current loan (many lenders have seasoning requirements for cash-out refis).
- Your credit has declined since you got your current loan, which could result in a higher rate than you currently have.

How We Help You Decide

I don't believe in pushing refinances that don't make financial sense for you. Here's how we approach it:

- Review your current loan terms, rate, remaining balance, and monthly payment.

- Pull current market rates and estimate realistic closing costs for your situation.
- Run multiple scenarios: rate-and-term at different terms, cash-out options, and break-even timelines.
- Factor in Florida-specific costs like current insurance and tax estimates.
- Provide a clear, honest recommendation — sometimes the answer is "not yet" or "consider making extra payments instead."
- If it does make sense, we handle the entire process efficiently so you can lock in savings quickly.

■ No-Pressure Analysis

If you're curious about your options, just send me your current mortgage statement (or loan number and servicer) and I'll prepare a complimentary refinance analysis with clear numbers and my honest recommendation. There's never any obligation — my goal is to be your trusted advisor for life, not just close one transaction.

Ready to discuss your specific situation?

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