

Published based on [Az Refinancing - Factors to Consider](#)

Az Refinancing - Factors to Consider

This is a question many Arizona homeowners are asking in this challenging financial climate. The fact is that the answer to the [Arizona refinancing](#) question isn't always straightforward. It depends on a given homeowner's unique circumstances. However, some situations are more common than others. Common situations that stimulate considering refinancing are when interest rates decline significantly, when the homeowner's credit score improves and changing personal finances. While none of these circumstances automatically warrants refinancing, they do suggest that a person should at least check out the available options; it is certainly worth at least considering.

Decreases in the Interest Rate

Drops in interest rates is probably the most common reason for homeowners to consider refinancing. But a drop in interest rates doesn't necessarily mean that refinancing is going to save money. There very often are significant "hidden" costs associated with refinancing. These additional expenses may include application fees, origination fees, appraisal fees and a variety of other expenses and may add up to more than you'll save with the decreased interest rate over a reasonable period of time. A homeowner needs to add up the cost of the current loan and compare it to the proposed refinancing to determine whether or not the re-financing will be worthwhile. In general, the closing fees should not exceed the overall savings, and the amount of time the homeowner is required to retain the property to recoup these costs should not be longer than the homeowner plans to retain the property.

Why Might You Want to Refinance If Your Credit Rating Improves?

When the homeowner's credit scores improve, considering re-financing is warranted. Lenders are in the business of making money and are more likely to offer favorable rates to those with good credit than they are to offer these rates to those with poor credit. As a result, those with poor credit are likely to be offered terms such as high interest rates or adjustable rate mortgages. Homeowners in such circumstances may be able to refinance on better terms when their financial situation improves. One good thing about the rating agencies is that they don't necessarily keep the history of the distant past. If your current rating counts. As a result, homeowners who make an honest effort to repair their credit by making payments in a timely fashion may find themselves in a position of improved credit in the future.

When credit scores are higher, lenders are willing to offer lower interest rates. For this reason, homeowners should consider the option of re-financing when their credit score begins to show marked improvement. During this process, the homeowner can determine whether or not re-financing under these conditions is worthwhile.

Whatever your credit rating status, it's always a good idea to [shop around when refinancing](#).

Changed Financial Situations

Homeowners should also investigate looking for different terms on the mortgage if their financial situation changes significantly. This applies whether or not the change is good or bad (a large raise versus downsizing). In either case, refinancing a home loan may be a wise move. If your income goes up a lot, you may want to refinance so you can shorten the length of the loan, thereby decreasing your total interest payments. On the other side of the coin, those who find themselves unable to fulfill their monthly financial obligations may want to consider re-financing as a way of extending the debt, which will lower the monthly payments. Unfortunately, too many Arizona homeowners need to consider re-financing for this reason. The downside of this is that the total cost of the loan will rise because they are stretching their debt over a longer pay period, but this move can make the difference between being able to keep the home or going into foreclosure. In these cases, an affordable monthly payment may be worth the higher long-term cost.

You may also want to look into an overview of the [benefits of refinancing](#)