

UNDERSTANDING
YOUR OPTIONS:
MORTGAGE REFINANCE
AND HOME-EQUITY
LOANS

First Edition



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NeighborWorks® America*

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**Important Note About *Understanding Your Options:
Mortgage Refinance and Home-Equity Loans*, First Edition, 2006**

This manual and training materials, which include a glossary, teaching tools, participatory activities and visual aids, are written for nonprofit homeownership trainers and counselors. This manual is not designed as stand-alone reading materials for consumers. If you have received this from a housing counselor, you should either be enrolled in or have completed an organized training course. These materials were specifically developed for use by NeighborWorks® organizations and other housing counseling agencies, such as those approved by the U.S. Department of Housing and Urban Development.

NeighborWorks® America designed this manual to help educate or counsel homeowners through an organized postpurchase homeownership education or counseling curriculum about their options for refinancing an existing mortgage loan or borrowing money from equity in their home. This module is designed to serve as a national curriculum and does not account for regional differences. In order to maximize the effectiveness of the curriculum, NeighborWorks® America recommends that each housing counselor use this module as a base from which to tailor the contents to fit local markets and conditions.

NeighborWorks® America, in partnership with leading experts, developed these materials to fill the void in existing nonprofit consumer education programs on mortgage refinance and home-equity loans. We recognize the important role refinance and equity loans can and do play for homeowners, and in response developed this — the first national curriculum on mortgage refinance and home-equity loans targeted to housing counselors. We recognize this is only a beginning, and look forward to improving this module over time. As you work with these materials and adapt them, please send us your ideas and feedback. With your help, we can make this even better. Check www.nw.org for future editions and revisions of this document, and e-mail comments to hbmanual@nw.org.

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FORWARD

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Dear Colleague:

NeighborWorks® America is pleased to offer this manual and accompanying training materials to homeownership trainers and counselors at nonprofit organizations that are interested in helping homeowners make wise decisions about mortgage refinance and home-equity loans.

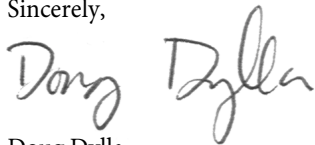
NeighborWorks® America is a national nonprofit organization created by Congress to provide financial support, technical assistance and training for community revitalization efforts. The NeighborWorks® Campaign for Home Ownership, an initiative of NeighborWorks® America, is the largest effort of its kind to bring families of modest means into the economic mainstream by helping them to achieve one of their primary goals in life: buying a home. This curriculum is part of an effort to work with leaders in the community development field on postpurchase homeownership issues.

Mortgage refinancings boomed in 2002 and 2003. During this period, however, lower-income homeowners were significantly less likely than higher-income homeowners to seek refinances of their mortgages, even though their mortgage rates were above current market levels — sometimes by several percentage points. Many of these homeowners lacked the knowledge of when and how to refinance, and also lacked the savings to pay for the related fees. As long as homeowners in underserved communities are locked into unnecessarily high-rate loans, they are losing wealth and assets relative to other populations and communities.

During and since the refinance boom, home-equity loans have also experienced explosive growth. With consumer spending outpacing income growth and property values rising in many markets in recent years, homeowners have turned increasingly to home-equity lending as a substitute for consumer credit to finance new consumption or reduce outstanding consumer debt.

We hope this manual will be a useful tool for trainers and counselors to help lower-income households manage their home equity effectively and maximize their potential for building personal wealth.

Sincerely,



Doug Dylla
Senior Manager
NeighborWorks® Campaign for Home Ownership

CONTENTS

Acknowledgements	ii
Forward	iii
List of Worksheets and Sample Documents	vi
Objectives	1
Section 1: Understanding Your Financial Goals	2
Determining Your Financial Goals	3
Section 2: Understanding If Refinancing for a Better Rate or Different Terms Is Right for You	9
What Is Mortgage Refinancing?	9
Is Refinancing for a Better Rate or Different Terms Right for You?	9
Refinancing to Save Money on Interest Rates	10
Refinancing to Lower Your Monthly Payments	11
Refinancing to Convert One Type of Mortgage to Another	12
Refinancing to Build Equity Faster	13
Important Considerations When Thinking About Refinancing a Mortgage for Better Rates or Different Terms	14
Section 3: Understanding If Converting Equity to Cash Is Right for You	19
What Is Home Equity?	19
How Can You Use Equity Without Selling Your Home?	19
Is Converting Home Equity to Cash Right for You?	20
Determining the Amount of Equity You Have in Your Home	22
Which Loan Product Is Right for You?	22
Important Considerations When Thinking About Converting Your Home Equity to Cash	23
Home-Equity Loan Cautions	24
Section 4: Understanding How to Prepare for Borrowing Again	25
Checking Your Credit Score	25
Preparing a Realistic Spending Plan	26
Gathering Your Financial Records	27
Section 5: Understanding How to Shop for the Right Lender and Loan	29
Key Financing Terms	29
How Do I Decide Whether To Pay Discount Points on My Loan?	34

Understanding Your Options: Mortgage Refinance and Home-Equity Loans

How Do I Choose Between Private and Government-Assisted Loan Products?	34
How to Find the Best Lender	35
How Do I Select the Best Loan?	36
Section 6: Understanding the Loan Process	40
Loan Application	40
Loan Processing	41
Loan Underwriting	41
Loan Closing	42
Section 7: Understanding How To Avoid Predatory Lenders	45
Warning Signs	45
Tips To Avoid Predatory Lenders	46
What To Do If You Think You Have Been Victimized	48
Section 8: Understanding Your Responsibilities After Loan Closing	49
Importance of On-Time Mortgage Payments	49
Tax Considerations	49
Importance of Home Maintenance	50
Importance of Paying Your Real Estate Taxes	50
What To Do If You Are Having Trouble Making Your Mortgage Payments	50
Summary	51
Glossary	52
Sources and Web Sites	58
Sources	58
Web Sites	59

LIST OF WORKSHEETS AND SAMPLE DOCUMENTS

Financial Goals Decision-Making Worksheet	5
Worksheet for Refinancing to Save Money on Interest Rates	16
Worksheet for Refinancing to Build Equity Faster	17
2005 Tax Rate Schedules	18
Loan Documentation Checklist	28
Refinance and Home-Equity Loan Comparison Worksheet	37
Sample Truth-in-Lending Disclosure Statement	43
Sample Good Faith Estimate	44