

## When to Refinance

Mortgage interest rates have dropped to historically low levels recently. Additionally, there is talk that the Treasury Department is considering a push to decrease rates offered to those buying homes to below 5 percent. Although there are no rumors yet of offering those rates to those planning to refinance their homes, the consideration of such a proposal is an indication of how bad the real estate market has become. Many analysts are hopeful that low rates will kick start the real estate market. Others feel that offering lower rates to prospective buyers may not provide the desired boost. Buyers are still unsure about jumping into the real estate market before it has hit the bottom. Marry that with increasing job loss and uneasiness about the current economy, and many buyers may not jump in spite of low rates.

Most of the news reports rally around the idea of getting potential buyers to start purchasing from the surplus of existing home inventory. But there is little discussion about current homeowners. Many consumers have mortgages in good standing and own equity in their properties. A good number of those mortgage holders would want to refinance their existing mortgages if they were offered low rates. A refinance does not add to the already flooded inventory of unsold homes. Homeowners who refinance usually do so to save money on their mortgage payments. The more money those consumers save, the more likely they are to make improvements to their homes and put money into the economy via retail and services. Any government effort to spur the real estate sector should incorporate low refinance rates. A stimulus plan that only focuses on home buyers misses a chance to encourage current homeowners to help kick start the sluggish real estate sector. Those wishing to refinance are often those who have a good payment track record, good credit, and will otherwise help support this economy with solid spending habits.

Many homeowners wishing to refinance are not gambling on the government dropping rates any further. According to the Mortgage Bankers Association, applications for refinance at the end of November had increased by 200 percent from just the week prior. Unfortunately, fewer applications are being approved. Lending standards have become more restrictive and home values have decreased, which has made it difficult for some consumers to refinance. Those who recently bought a property in areas that have experienced significant decreases in home values, are dismayed to learn that they now do not have the equity to qualify for a refinance. On the other hand, those who do have enough equity for a refinance, should consider locking in the low rates now. This may be a once in a lifetime opportunity.

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