



Tips on Financing (and Refinancing) a Home Purchase

When shopping for a home, it's easy to focus on the exquisite crown moldings or the hardwood floors you want. And once you have a home and start building equity, you'll probably find yourself with a long list of things you'd like to do with that money. But before you get swept away, you'll need to deal with something less exciting: financing.

Here are some guidelines for getting a home loan or refinancing your mortgage.

Financing your new home

Buying a house is likely the biggest purchase you'll ever make, and at times, the process will feel overwhelming. But if you've read up on it ahead of time, it's nothing you can't manage.

Have your financial information ready. Before you talk to a prospective [lender](#), get your free credit report from annualcreditreport.com. Check it errors, and if you find any, contact the credit bureau. Resolving negative marks could increase your score. A lender might also want to know your income and employment status, and see your tax returns, bank and retirement fund statements, and car loan agreements. Keep copies handy.

Know [how much you can afford](#). Americans spend about [33 percent](#) of their gross incomes on housing. Consider the monthly payment you can handle, and calculate the home you can afford with that in mind.

Be aware of your options. Financing can be a maze of abbreviations, numbers and considerations: [FHA](#), [VA](#) or [conventional](#)? [30-year fixed](#) or 5-year adjustable? Should you buy down the interest rate? And what are all these [fees](#)? You'll also need to choose a lender. This can be a bank, such as Sharon Savings, a mortgage company, or even the government.

You have a lot of decisions to make, but try not to be overwhelmed. Do some [re-search](#), and ask an expert at your financial institution about anything that still doesn't make sense.

Refinancing your existing mortgage

Reducing your monthly payment, paying off debts and paying for dreams are the primary reasons people refinance mortgages. These can be worthy goals, but the process is not without complications.



Tips on Financing (and Refinancing) a Home Purchase—Page 2

Talk to your current lender first. The good news is that, because you have a payment history and — probably — equity in your home, refinancing is less complex than acquiring the initial loan. Often, your current lender will handle the task with less fuss and fewer fees.

Weigh the immediate costs and benefits. Refinancing isn't always a slam dunk. To decide if it's right for you, you'll need to do some math. For instance, if you're trying to lower your monthly payments, compare your new closing costs and reduced income-tax deductions to the lower payment you'd receive and the length of time you're likely to stay in the home.

Consider your long-term wants and needs. If you're pulling out equity and resetting the clock on a 30- or 15-year loan, you need to balance long-term interest increases — which could cost you tens of thousands of dollars — against your short-term wants and needs. That might make you reconsider that new kitchen or convertible.

[Resources abound](#) to help you through financing and refinancing, as do people who can answer your questions. These are big decisions. Make sure you're comfortable with your choices.

Lynn Mucken, [NerdWallet](#)

© Copyright 2015 NerdWallet, Inc. All Rights Reserved

For more information about our loan programs at Sharon Savings Bank, call and speak with Neil McGeehan at 610-586-6190.

