



HOME LOAN

QUICKEN LOANS GUIDE

Refinancing



Home Loan U is a free educational series from Quicken Loans, created to help you make the most of your home, and home financing, at every stage of life.



Quicken Loans
The Easiest Way to Get a Home Loan®

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A Short Course in Refinancing Your Mortgage

Welcome to the Home Loan U Guide to Refinancing from Quicken Loans. Here, you'll learn the important advantages of refinancing, as well as information about your options and home loan products that can better your situation. If you're looking for the tools you need to make an educated decision on refinancing your mortgage and the knowledge you need to achieve your financial goals, you're in the right place. Here's what you can expect to learn:

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PREP SCHOOL: WHY REFINANCE?

YOUR INTRODUCTORY COURSE FOR MAKING THE HOME LOAN DECISION THAT'S RIGHT FOR YOU

Your life changes, and your mortgage should change with it. Whether you are moving, staying put, have a lot of expenses, or experience a change in your finances, it's important to make sure your home loan is keeping up with you. Here are some of the most common reasons that homeowners choose to refinance:

Your Mortgage Interest Rate Is Higher than the Current Market Interest Rate

Even a small reduction in interest rates could save you a lot of money in the long run. Make sure you are getting the lowest possible interest rate to save you and your family money.

You're Planning to Stay in Your Home for Several Years

Now could be a great time to reevaluate the type of home loan you have. Because you know that you're going to stay put for several years, it's easy to set and achieve long-term goals with the help of the right home loan.

You Want to Pay Off Your Mortgage Sooner

When rates fall, you can take advantage of securing a rate over a shorter mortgage term to pay your mortgage off sooner.

You Have an Adjustable Rate Mortgage and You Want to Lock in a Fixed Rate

If your payments are already fluctuating, you can keep your payments steady by refinancing to a fixed rate mortgage. Your rate will stay constant in a rising-rate environment.

You Have Other Debt You Need to Reduce

Do you have credit card debt, student loans, car loans...any high-interest debt? You can reduce or eliminate your debt with a home equity loan, line of credit or cash-out refinance. Debt consolidation is one of the most popular reasons for refinancing.

You Want to Make Home Improvements

Would your home benefit from a new kitchen, new windows or an addition? A home equity loan or a line of credit can help fund your improvements. It's a great way to increase the value of your home affordably.

You Have College Tuition to Pay

A great way to finance your own education or your child's college tuition is by refinancing. You can get cash out or a home equity loan for a stress-free payment option.

Your Credit Score Has Improved

If you've worked hard to improve your financial situation by paying off credit accounts that were weighing down your score, it's time to call your home loan expert. You could qualify for a much lower interest rate if your score has substantially improved.

EXTRA CREDIT

Want to find out if refinancing could save you money? Visit Quizzle.com, the free online tool for homeowners. You'll get the need-to-know info on which home loan is best for you—all without ever giving out your social security number.

RAISE YOUR HAND

Have more questions about how to improve your credit? You can find the answers in the **Home Loan U Guide to Managing Your Credit**. You'll get a crash course in understanding credit, the secrets to aging your credit report, and so much more!

DO THE MATH: EQUITY + YOU = POWER HOW REFINANCING TO USE THE EQUITY IN YOUR HOME CAN WORK FOR YOU

Home Equity, Defined

Home equity is the monetary difference between the value of your home and how much you have left to pay on your mortgage. For example, if your home is valued at \$200,000 and you owe \$150,000 on your mortgage, you have \$50,000 of equity in your home.

Straight to the Head of the Class: Getting the Home Equity Advantage

The equity you have in your home can be a powerful tool to help you achieve your financial goals. It can help you get through a rough financial patch, pay for home improvements, fund college tuition, eliminate high-interest debt...whatever fits your needs. Using your equity as a means of payment is typically a better resource than other methods of borrowing because the interest rate is lower than with most credit cards and the interest accrued can be tax deductible.

Refinancing Your Mortgage, with Cash Out

If the value of your home has increased since you purchased it, you can refinance your home at its current value and receive a lump sum of cash equal to the difference in equity.

Benefits:

- Lower mortgage payments
- Instant cash to pay off high-interest debt
- You could shorten the term of your home loan
- Lower interest rate

EXTRA CREDIT

Get in control of your finances:

If you have debt, or upcoming debt, write down exactly what expenses you need to cover and when you have to pay it. If you lay out your expenses in front of you, it's easier to gain control of your debt.

Before you pay off debt, you need to know how much there is to tackle. Don't guess, Know at [Quizzle.com](https://www.Quizzle.com). Quizzle will give you personalized tips and tricks to help you eliminate debt for good.

DO YOUR RESEARCH: GO BIGGER OR GO HOME?

DECIDING WHETHER TO SHOP FOR A BIGGER HOUSE OR TO ADD ON TO THE HOME YOU'RE IN

You own a home, and now, your family needs more space. Now what? Do you add on to your current home or do you move to a larger one? Here are some thoughts to help you decide.

What to Consider:

If you love your current neighborhood, your current schools and your location, you might strongly consider remodeling. If that's the case, let your decision rest upon the expense and what is approved by your neighborhood and your contractor.

Raise Your Hand:

Ask your contractor if your home's style and structure are suited for an addition. Also check with your local authorities about land use and zoning regulations.

Is It Worth It?

The next step is to add up the potential costs of both options. Your home loan expert can help you crunch the numbers. Let him or her know what the estimated cost of your remodel will be. By adding the total cost of your remodel to your estimated closing costs and recalculating your cash-out refinance at the current interest rate, you'll be able to get a good idea of your projected monthly mortgage payment.

To compare, you could sell your current home and use the proceeds to pay the up-front costs of purchasing a larger home. Your home loan expert can also help you calculate the cost of making the move. Have a ballpark price range in mind for an accurate comparison, and don't forget to factor in moving costs, closing costs and real estate agent costs when applicable. The cost of moving can be around 8 to 10 percent of your current home's value, according to the American Homeowners Foundation. And consider that these costs would not be part of a remodeling project.

EXTRA CREDIT

Crunch your numbers!
Don't guesstimate when it comes to big financial decisions. You could save a lot of money by pricing out additions instead of just picking up and moving. If you need help with the numbers, your home loan expert can help figure out what's right for you.

STUDY GUIDE: THE SHORT COURSE IN HOME LOAN OPTIONS

Quicken Loans knows everyone's financial situation is different. That's why we offer over 100 different loan products to fit your specific needs. Your Quicken Loans home loan expert is ready to help you find the right mortgage for your individual situation. When you call your banker, here are a few of the loan options and term lengths you might talk about:

Long-Term Mortgages: 20, 25, 30 and 40-Year Fixed-Rate Mortgages

Getting a mortgage term that's 20 years or longer might be a good choice for you if you don't anticipate a lot of change in your life. In other words, you plan to stay in your home for ten or more years and you expect that your income will be about the same. With a long-term, fixed-rate home loan, the advantage is that your payments will never change and your interest rate will stay constant over the entire life of the loan. The downside? You may end up paying out more over the life of the loan because you'll be paying interest over a longer period of time. If you choose a long-term mortgage, you'll also want to pay close attention to changing interest rates in the home loan market. If they drop substantially below your fixed rate, you'll want to refinance in order to take advantage of them.

Shorter-Term Mortgages: 10 and 15-Year Fixed-Rate Mortgages

If paying off your mortgage quickly is a priority for you, a shorter-term mortgage might be a great option. The advantage? You'll pay off your mortgage in less time, and you'll typically pay less interest because your term is shorter. Most importantly, you'll build more equity in a shorter period of time, because more of your monthly payment goes toward paying off the principal. And of course, your fixed rate and your payment amount will never change over the life of the loan. Talk to your tax advisor about whether a shorter-term mortgage would affect your deductions.

LEARNING FROM OTHERS: CASE STUDIES IN REFINANCING AS THE SOLUTION TO FINANCIAL HURDLES

Case Study #1: Credit Crunch

Paul and Karen were in a short-term financial crunch. They were having a hard time paying their bills every month and meeting deadlines. They felt like they had a lot of credit cards to keep track of and were only able to pay the minimum payment on most of them.

SOLUTION: Paul and Karen consolidated their debt by refinancing and lowering their payment. Now they are able to pay off the balances on their credit cards much faster.

Case Study #2: Tuition Fruition

With their son starting college in the fall, Deon and April needed to pay the tuition bills throughout the school year.

SOLUTION: Deon and April refinanced their mortgage with cash out. They used the cash they took out to make large tuition payments every semester. Because the interest rate on the cash they'd taken was lower than using a credit card, they paid less in interest.

Case Study #3: Uneven Income, Smooth Refi

Jim is a successful equipment sales agent, but his income is cyclical. He has an influx of cash during some months, but other months are too slow to make ends meet.

SOLUTION: Jim refinanced to an interest-only loan which helps him manage the peaks and valleys of his finances. When his commission income is up, he pays down the loan significantly by making payments of principal and interest. When his income is down, he continues to make the interest-only payment. This allows him to cover his expenses at a lower interest rate than using a credit card.

NEVER STOP LEARNING: COUNT ON QUICKEN LOANS FOR LIFE

Your Quicken Loans home loan expert is not only here to help you manage your home financing today, but will also help you to achieve your long-term goals. After all, life changes, and your mortgage should change with it.

As a service to our clients, we will keep you informed of industry trends and new home financing options long after your closing. We're always tracking current mortgage rates and we'll alert you if the market ever moves to benefit you in any way.



As an additional benefit, check out [Quizzle.com](https://www.quizzle.com), a new home and money site from Quicken Loans. Quizzle is the only place that gives you a simple understanding of your home and your money, all in one spot. You'll get a free credit report and score, home value estimation, mortgage recommendations, budget tool and so much more! We'll also hook you up with important tips on how to make the most of your home and money – minus the confusing financial jargon.

Any time you have questions regarding home financing, we encourage you to contact your home loan expert. Quicken Loans will continue to give you the service you deserve for the life of your loan.

A referral is the best compliment. If you had a great experience with Quicken Loans, tell someone you know. We can proudly say that 9 out of 10 clients would refer us to their friends and family. We'd be glad if you would, too.



CONTACTS AT A GLANCE

The following is a list of the resources included in this guide:

QUICKEN LOANS

[quickenloans.com](https://www.quickenloans.com)

[quizzle.com](https://www.quizzle.com)