

Refinancing: Understanding Your Options



VHDA is dedicated to working with you to ensure your success as a homeowner. This handout will give you a better understanding of the refinancing process so you can determine if it's the right option for you. This information is specific to VHDA mortgages and focuses on refinancing through VHDA. For information about refinancing a non-VHDA mortgage, contact your mortgage lender.

▶ **What is refinancing?** In order to determine if refinancing is right for you, you'll first need to know what it is, and what it is not.

To refinance your original VHDA mortgage through VHDA means to work with an approved VHDA originating lender to pay off your original mortgage and receive a brand-new mortgage. As with your original mortgage, there are costs associated with refinancing your mortgage.

When your original VHDA mortgage is refinanced to a new VHDA mortgage, it will include new terms. This includes the loan term, the monthly payment amount and the interest rate. Refinancing through VHDA *does not* include any cash-out options or home equity lines of credit.

▶ **Refinancing is different from a loan modification.** A loan modification through VHDA is only offered as an alternative to foreclosure for VHDA customers who are experiencing a hardship. A VHDA loss mitigation officer will verify if you meet certain eligibility criteria to qualify for a loan modification. If so, they will change the terms of your original VHDA mortgage, without requiring you to refinance to a new mortgage.

▶ **Refinancing methods through VHDA.** Eligible VHDA mortgages are refinanced one of two ways through VHDA: the traditional method or the streamlined method. The type of VHDA loan product used for your original mortgage determines the refinancing method.

Traditional Method:

- The traditional method has certain eligibility requirements, including a minimum credit score, income limits, maximum loan amount limit, and having your home appraised.
- VHDA's exclusive Fannie Mae HFA loans with no or reduced mortgage insurance are refinanced through the traditional method.
- Non-Fannie Mae loans (such as FHA or Rural Development) may be refinanced into a Fannie Mae loan through this method.

Streamlined Method:

- This non-credit qualifying transaction has different requirements, such as on-time payment history and current status of mortgage.
- It doesn't require you to have a minimum credit score, but it does require a minimum age of your mortgage (known as seasoning).
- You can refinance a VHDA FHA loan through the FHA Streamline Refinance or a VHDA VA loan through the VA Interest Rate Reduction Refinance Loan (or IRRRL) using this method.

▶ **Identifying the VHDA loan product used for your mortgage.** As part of the refinancing process, it's important to identify the VHDA loan product used for your current mortgage. You can find out by logging into VHDA's secure portal, Customer CareNet, at vhda.CustomerCareNet.com.

Finding Your Current Loan Type:

The screenshot shows the VHDA Customer CareNet portal. At the top, there are navigation tabs: Home, My Loan, Payments, Statements and Documents, Message Center, and My Profile. Below the navigation is a user profile for JOE SCHMOE with contact information and a note that \$1,180.11 is due on 03/15/2019. There are links for FAQ, Print This Page, and Log Out. The main section is titled 'Loan Details' and has three tabs: General Loan Information, Payment Information, and Tax and Insurance. The 'General Loan Information' tab is active, showing a table of loan details. A large yellow arrow points to the 'Loan Type' field, which is 'Rural Development'.

Borrower		Effective Interest Rate	
Current Principal Balance	\$120,428.75	Loan Type	Rural Development
First Payment Due Date	10/01/2005	Payment Method	No Billing
Maturity Date	09/2035	Original Loan Amount	\$137,700.00
		Loan Origination Date	08/24/2005

- ▶ **vhda.com/FindALender.** After identifying the VHDA loan product used for your mortgage, the next step is to find an approved VHDA originating lender. They will help you understand the eligibility requirements for refinancing, determine if you qualify, and facilitate the paperwork to get the refinancing application approved. To find a VHDA-approved lender in your area, visit vhda.com/FindALender.
- ▶ **Important questions to ask your originating lender.** Once you've identified an approved VHDA originating lender to work with, you'll want to discuss the refinancing process and your options with them.
 - **What happens to my Mortgage Credit Certificate (MCC)?**
If you refinance your original VHDA mortgage, you can no longer use your MCC.
 - **I have a second mortgage. Do I have to pay it off if I refinance my first mortgage?**
It depends. The second mortgage could be paid off, it could be included in the refinanced mortgage, or it could remain as is. Be sure to discuss your second mortgage with your approved VHDA originating lender.
 - **Will the terms of my original mortgage change once it's refinanced into a new mortgage?**
Typically, the terms of your original mortgage will be replaced by the terms of your new refinanced mortgage. Like your original mortgage, your refinanced mortgage may include compliance requirements (such as paying mortgage insurance and owning and occupying the home).
 - **I've been making payments towards my original mortgage for almost 10 years of the 30-year term. Does that mean my refinanced mortgage will be for a 20-year term?**
Generally, you'll receive a new term (or life of the loan) when you close on your new refinanced mortgage. The term of your refinanced mortgage is typically 30 years. However, after refinancing, the term may vary depending on the type of VHDA loan originally used.
 - **When I refinance my mortgage, can I also add someone to it or remove someone from it?**
It will vary depending on the type of VHDA loan product used and the reason for adding or removing a person from the loan. Discuss your situation with your originating lender so they can advise you of your options.
 - **Are there costs involved in order to refinance my original VHDA mortgage?**
Typically, homeowners encounter many of the same closing costs to refinance their mortgage as they did when they bought their home. Refinancing your loan could cost thousands of dollars and those costs would need to be weighed against any benefits you would get from refinancing. Talk to your lender about your options and how lender credits could help offset some of those costs. Be wary of offers you may receive in the mail to refinance your VHDA mortgage.
 - **I receive some offers in the mail that appear to be from VHDA. How can I tell if these are legitimate offers and whether they are right for me?**
VHDA doesn't mail refinancing offers to customers. Be sure to review all offers you receive with your approved VHDA originating lender. Also, you can compare the reduced interest rate offered with the interest rate of your original mortgage. You can locate your interest rate by logging into vhda.CustomerCareNet.com.
 - **Should I refinance if I know I want to sell the home within the next few years?**
You'll want to discuss your reasons for wanting to refinance and your future plans, like selling the home, with your approved VHDA originating lender. They can help you determine if now is the best time for you to refinance. Due to the typical costs involved with refinancing, most homeowners choose to include these costs in their refinanced mortgage, which results in a higher loan balance. The higher balance may eat into the equity that has built up in the home, which may impact a sale in the near future.