



AAFMAA[®]

COMPASSION • TRUST • PROTECTION

AAFMAA Mortgage Services LLC

Mortgage Refinance:
The First Step to Lowering Your Debt in the New Year

Who is AAFMAA Mortgage Services LLC?



Our commitment is to make sure you, as a part of the military community, are well-informed and taken care of at every step of the lending process.

Plus, being part of the longest-standing, not-for-profit member-owned association enables us to offer low-rate and low-cost mortgages to servicemembers and Veterans.



Meet The Presenter

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Agenda

- What is a Refinance?
- Reasons to Refinance
- Refinance Options
- Home Equity
- Pros & Cons of Refinancing
- Questions



What is a Refinance?

What is a Refinance?



In regard to a mortgage refinance:

Refinancing a mortgage is when the owners of the home are paying off the existing mortgage and replacing that mortgage with a new loan. The new loan can have a new rate, terms and lender.

Reasons To Refinance



1

Lower Interest Rate

2

Build Home Equity

3

Switch The
Mortgage Type

4

Cash-Out for Home
Improvements

5

Remove MI

6

Life Events

Cash-Out Refinance



A **cash-out refinance** replaces your existing mortgage with a new home loan for more than you owe on your house. The difference goes to you in cash and you can spend it on **home improvements, debt consolidation or other financial needs.**

You must have equity built up in your house to use a cash-out refinance.

Is a Cash-Out Refinance a Good Option?

Things To Know

- 1) Determine how much equity you have invested into the home.

Sources: Redfin, Trulia, and Zillow

- 2) Do you need to pay PMI (Private Mortgage Insurance)?

- 3) Calculate your loan-to-value ratio.



How To Calculate LTV (Loan-To-Value)

You owe **\$200,000** on a home worth approximately **\$300,000**.
You'd like to pay off \$15,000 in debt.

Your calculation would look like this:

$$(\$200,000 + \$15,000) / \$300,000 = 0.7167 \text{ or roughly } 72\% \text{ LTV}^*$$

*It's always a good idea to have less than 80% LTV for a Cash-Out Refinance for a conventional loan to avoid MI. For a VA Cash-Out loan, 90% or less LTV



Pros of a Cash-Out Refinance

- Possible lower interest rate
- Debt consolidation
- Higher credit score:
Being able to pay down or pay off credit card debt
by reducing the amount of credit your utilizing
- Tax deductions



Cons of a Cash-Out Refinance

- Foreclosure risk
- New terms
- Closing costs
- Private Mortgage Insurance (PMI)

Things To Keep In Mind

- Is payment or the term of a loan more important to you?
- How long do you think you will stay in your current home?
- What are your short term and long term goals and how will reducing your rate or receiving cash out affect those goals?



Market Update

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Questions?

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