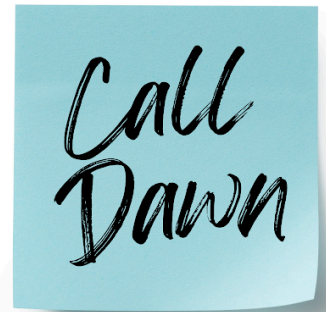




## Recast (Re-amortization)

Most fixed-rate mortgages are amortized at closing, meaning your minimum monthly payment is determined based on the initial principal balance. Even if you make extra payments—whether through monthly overpayments or additional lump sums—your minimum monthly payment remains unchanged. These extra payments, however, do help in shortening the overall loan term.



Some mortgages offer the option to re-amortize or “recast” after closing. Recasting involves making a lump-sum payment towards the principal, which allows your lender to reduce your monthly payment while keeping the loan term the same. This feature can be beneficial, so let’s explore some important details, eligibility, and potential uses.

### Eligibility and Rules for Recasting

Your ability to recast a mortgage largely depends on the type of loan and the policies of your loan servicer. Most fixed-rate loans sold to Fannie Mae and Freddie Mac are eligible for recasting, along with many jumbo and portfolio loans; however, FHA, USDA, and VA loans typically are not.

To take advantage of a recast, you’ll need to ensure that your loan servicer supports this option and adhere to their specific guidelines. Some services permit only one recast during the life of the loan, while others allow up to one recast per year. Additionally, many servicers have a minimum principal reduction requirement—usually between \$5,000 and \$10,000 or a percentage of the loan balance, often around 10%. Don’t forget to budget for a processing fee, which can range from \$200 to \$500.

### Recasting vs. Overpaying vs. Refinancing

Determining whether a recast is a wise choice depends on your financial goals. If your priority is to pay off your loan as quickly as possible, you might want to skip the recast since it lowers your payment without shortening the loan term. However, if your goal is simply to lower your monthly payment, a recast can be an easy and cost-effective solution.

If current interest rates are lower than your existing loan rate, or if you have other objectives besides just reducing your payment, consider comparing a refinance with a recast. While refinancing may involve higher costs and more paperwork, it could be worthwhile if it significantly lowers your interest rate or helps you achieve your financial goals.

**Dawn Robbins**

Senior Loan Officer, nmls 432345

dawnrobbins.com

**(503) 805-7878**

dawn@dawnrobbinsgroup.com

Ease Mortgage does not provide tax advice, credit counseling or credit repair services. Please contact your tax adviser for any tax related questions. Applicant subject to credit and underwriting approval. Not all applicants will be approved for financing. Receipt of application does not represent an approval for financing or interest rate guarantee. Restrictions may apply, contact Guaranteed Rate for current rates and for more information.



Ease Mortgage. NMLS# 2273319. 637 E. Big Beaver Rd Suite 205 Troy, MI 48083 (248) 847 - 0501. All rights reserved

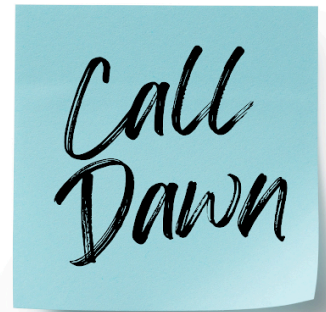




## Situations Where Recasting is Advantageous

The recast option shines in various scenarios, especially when your cash availability and closing timelines don't align:

- **Dream Home Purchase:** You find your ideal home but need to sell your current home to finance the purchase. Make a minimal down payment, close on the new home, and then recast your loan after selling your old one.
- **Fixer-Upper Renovations:** Purchase a fixer-upper with a minimal down payment. Complete your renovations first and then recast your loan using the funds left over from the project.
- **Selling Multiple Properties:** If you're selling several properties to finance a new purchase, you can close on the new property first and apply the equity from the other sales via a recast once those transactions are finalized.
- **Trial Rental Situation:** Buy a new home while holding onto your current one as a rental. If you decide to sell later, you can recast your loan afterward.
- **Anticipated Cash Inflow:** If you expect to receive an inheritance or bonus but don't want to wait to purchase, go ahead and buy. You can recast your loan later to adjust your payment when the funds arrive.



## Interested in Recasting?

If you're considering a recast option for your mortgage, reach out to us. We can typically arrange this for you. However, if you don't specifically request a recast option, its availability may be uncertain. Let's discuss how we can help you achieve your financial goals with a recast!

### Dawn Robbins

Senior Loan Officer, nmls 432345

dawnrobbins.com

(503) 805-7878

dawn@dawnrobbinsgroup.com

Ease Mortgage does not provide tax advice, credit counseling or credit repair services. Please contact your tax adviser for any tax related questions. Applicant subject to credit and underwriting approval. Not all applicants will be approved for financing. Receipt of application does not represent an approval for financing or interest rate guarantee. Restrictions may apply, contact Guaranteed Rate for current rates and for more information.



Ease Mortgage. NMLS# 2273319. 637 E. Big Beaver Rd Suite 205 Troy, MI 48083 (248) 847 - 0501. All rights reserved

