What's your goal?
Start learning & planning
Buy a Home
Improve Your Home
Refinance Your Mortgage
Lower Your Monthly Payment
Reduce Your Interest Rate
Pay Off Your Mortgage Sooner
Convert to a Fixed Rate
Use Funds From Your Home
Manage Your Debt

Convert to a Fixed Rate

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Is it time to refinance?

Find out how to decide if refinancing your adjustable-rate mortgage will meet your needs.

If you have an adjustable rate mortgage (ARM) loan that recently adjusted or is about to adjust, you may want to explore converting, or refinancing, to a fixed rate mortgage.

How does an adjustable rate mortgage (ARM) work?

Close

Like many homebuyers, you may have been attracted to the low initial interest rate of an adjustable-rate mortgage (ARM). While adjustable-rate mortgages have lower initial interest rates than fixed-rate mortgages, the lower interest rate is only for a set period of time.

Refinancing may be an option for you to consider if your loan is adjusting to an interest rate that's higher than the current market rates.

How does an adjustable rate mortgage (ARM) work? Close

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Is refinancing from an ARM to a fixed–rate mortgage right for you:

- An ARM or variable interest rate can rise based on market or **index rates** while the interest rate of a fixed-rate mortgage does not change during the length of the loan term.
- ARMs have an initial fixed- rate period, when rates and monthly payments are lower than fixed-rate loans.
- When the fixed-rate period ends, the monthly payment adjusts based on the type of loan you have. Your interest rate (and monthly payment) will rise or fall based on the market rate or index.

Refinancing out of an ARM to a fixed-rate mortgage may provide:

- **Stability.** You may gain protection from rising interest rates and future payment increases. Fixed-rate loans provide the security of predictable monthly payments.
- **Loan options.** Wells Fargo offers a variety of fixed-rate loan home financing options. We make the financing process streamlined and convenient.

What should I consider before refinancing my ARM to a fixed rate mortgage? Close

Does refinancing fit my situation?

Determine if you'll save enough to recover closing costs.

Your home may be the largest asset you have. It is important to consider the following before you decide to refinance:

What are the estimated costs?

When you refinance, you may pay:

- **An origination charge** , which may include fees such as application or processing.
- **Discount points** to lower your interest rate further. (May be tax deductible. Consult your tax advisor regarding deductibility).
- **Other settlement charges** such as appraisal, credit report, title search, and **title insurance** fees.

If you're an existing Wells Fargo Home Mortgage customer, you may be eligible for a streamlined refinance with no closing costs, application, or appraisal fees.[Footnote number 11]
Find out more about our **streamlined refinance**.

You may be eligible for a reduced reissue or refinance rate on your title insurance if the property's current policy was issued recently. Ask your title or closing agent if you qualify.

Does my loan have prepayment penalties?

- If there's a penalty for early payment of your current loan, this will add to the refinance cost.
- Be sure to ask your lender if you will have a prepayment penalty if your loan is paid off early.

How long will I stay in the home?

- If you plan on staying in your current home for an extended period of time, and the interest rates are 1/2% to 5/8% lower than your current rate, refinancing may be the right choice for you.

How can I determine the break-even point?

- Our **Refinance Calculator**, will allow you to compare your existing loan with a new loan.
- **Your break-even point** is when the total of reduced montly mortgage payments equals the cost of getting the new loan.

What loan term will you refinance into?

- If you have been making payments for a number of years and refinance back to the same loan term on the new mortgage, you may pay more additional interest than you would save by lowering your monthly payment.
- Instead, consider refinancing to a term that matches or is less than the number of years you have left on your mortgage. When you shorten the term on your mortgage, you are likely to reduce the amount of interest you would pay.

Are there any additional considerations?

- **You are starting over.** Refinancing replaces your existing loan with a new one.
- **You could extend your mortgage loan term.** If you've paid three years of your current loan and refinance your new loan to the same term, you will be starting over.
- **Expect to pay less principal at first**. Consider that you can potentially build little equity in your home during the early years of a new loan.

What financing basics should I understand? **Show Details**

What should I know about refinancing my current ARM loan? **Close**

An adjustable rate mortgage can be the right option depending on your situation, but you must keep in mind that the interest changes at a predetermined time and may change every year.

Depending on your situation, you may want to explore fixed-rate refinance options:

- **Expect to refinance or move before your current loan's initial fixed-rate term expires?**
- **Think you may sell or refinance in a few years?**
- **Want to remain in your existing home longer?**

What criteria are used to assess my application? **Close**

When your application is complete, we review the following four components:

Income:

- Do you have a reliable, continuing source of income to make monthly payments?
- Income can come from primary, second, and part-time jobs, as well as overtime, bonuses, and commissions.
- You may use other sources of income if you want them considered for payment – including retirement or veteran's benefits, disability payments, alimony, child support, and rental or investment income – provided they can be verified as stable, reliable, and likely to continue for at least three years.

Learn more about establishing and improving your credit

Smarter Credit **TM Center**

Current debts and credit history:

- Do you pay your bills, loans, credit cards, and other debts on time?
- We examine your payment habits before deciding to loan you money.
- Your credit history and credit score are also examined prior to deciding to loan you money.
- It's a good idea to check your credit history and correct any problems before applying.

Assets and available funds:

- Do you have enough funds for closing costs?
- You may use funds from a savings account, certificate of deposit (CD), investments, and retirement fund.
- In some cases, you may be able to use a gift from a relative, friend, employer, or not-for profit organization.
- In many cases you will also have to demonstrate that you have additional funds in your accounts to cover several months of mortgage, tax, and insurance payments.

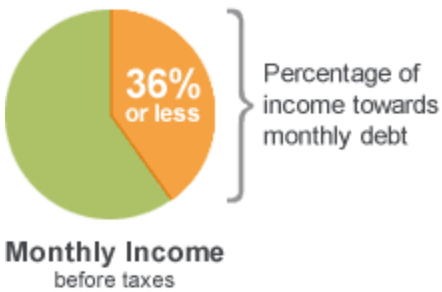
The property:

- What is the market value of the property?
- We will order a property appraisal to make sure your property's value meets our underwriting requirements.

Responsible lending guidelines

We approve applications where we believe the borrower has the ability to repay the loan or line of credit according to its terms. We use two ratio-based guidelines to evaluate your ability to repay.

What is debt-to-income ratio?



Debt-to-income ratio is the percentage of your monthly income that is spent on monthly debt payments.

What is housing-to-income ratio?

Housing-to-income ratio is the percentage of your monthly income that is spent on monthly housing payments.

Debt-to-income ratio:

- Your expected monthly mortgage payment (principal, interest, taxes, and insurance) plus your other monthly debt obligations to your gross (pre-tax) monthly income are compared.
- Mortgage program guidelines vary, but a good rule of thumb is to keep your total debt level at or below 36% of your gross monthly income.

Housing-expense-to-income ratio:

- We also compare just your expected monthly mortgage payment (including taxes and insurance) to your gross monthly income.
- Mortgage program guidelines vary, but a good rule of thumb is to keep your housing expense level at or below 28%.

How to calculate your ratios

Even if you fall within the 28%/36% rules of thumb, make certain that you feel comfortable making your monthly mortgage, insurance and tax payments and the payments on all your other monthly obligations. Homes have other costs—such as utilities, maintenance and repairs—that may not exist if you rent.

What can I do if I am having trouble making my payments? **Show Details**

Next: Loan Options

Meet Our Team	**Wayne** **Office:** 973-686-3201 **Fax:** 973-686-3250 **Contact Us**	87 BERDAN AVENUE UNIT 3A WAYNE, NJ 07470 **Directions**