REFINANCE POLICY

There are times when it is beneficial for a Newtown Homeowner to refinance their current mortgage. Lowering the Homeowner's interest rate is a prime reason to do so. Because Homeowners are leasing the land from Newtown, Homeowners are required to inform Newtown of their desire to refinance (**see Ground Lease Article 8.1)**. Newtown can assist the Homeowner gather information and analyze their options so an informed decision can be reached. Newtown can also provide a referral to lenders who will refinance CLT properties at the best interest rate and term (i.e., 15 year vs 30 year) available. If a Homeowner has already contacted a loan officer and wants to move forward with the refinance, there is information and documentation that must be provided to Newtown to ensure a timely and successful closing of the loan.

Currently, there are a limited number of lenders that can refinance CLT loans. Here are some important points to consider when choosing a CLT lender:

- Over the years, we have seen many lenders claim they can finance/refinance CLT homes when in fact they cannot. Contact Newtown for the most recent lender information.
- Mortgage brokers tend to charge higher fees and most often require the borrower to pay mortgage insurance.
- The banks that finance Newtown CLT homes generally have lower fees and do not charge mortgage insurance.
- Newtown requires homeowners to use First American Title Insurance Company for the refinance process. **No Exceptions**.

Refinancing with No Equity Out.

- CLT owners may refinance their first mortgage principal at any time, with Newtown's prior written consent, based on first mortgage guidelines.
- It is important to understand what the goals are for refinancing. For example, one goal might be to simply lower your monthly payment if interest rates have dropped significantly.
- Another goal might be to build equity faster and pay less interest. A Homeowner may want to consider a shorter term loan (i.e., going from a 30-year loan to a 20-year or 15-year loan.) Shorter term loans usually have lower interest rates compared to a longer term loans.
- Remember to factor in loan application fees and closing costs as you consider whether or not it is a good idea to refinance.

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Refinancing with Equity Out.

- It is not encouraged to use home equity to pay off credit cards and other debts. Financial planners generally agree it is not a good idea to use a home loan to pay off credit card debt.
- When using home equity to pay-off unsecured debt (i.e, credit cards), a Homeowner is replacing unsecured debt with secured debt (your home). The Homeowner could lose their home if they are unable to keep up with payments.
- With an Equity Out loan, the maximum amount that can be borrowed against is 90% of the amount of money you could sell your home according to the formula resale price (what you paid plus 25% of the increase in market value of your home -- see CLT Ground Lease Article 10.12). Newtown can provide an estimate of your resale price and what the loan amount might be.
- If you are planning on an Equity Out Loan and received down payment assistance with the initial mortgage from Chandler, Glendale, Scottsdale or Tempe, this amount will be required to be repaid to the City. There may be other down payments or grant programs received, please refer to those program terms. This factor should be considered into the benefit of refinancing the initial mortgage loan.

  Please contact Bryanna Mack at 480-517-1589 or email Bryanna@newtowncdc.org for further assistance.

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EQUAL HOUSING OPPORTUNITY