

Module 7 Workbook

Refinancing Your Mortgage

When refinancing makes financial sense, how to calculate your break-even, the real cost of a "no-closing-cost" refi, how cash-out works, and streamline programs that make it easier to refinance FHA, VA, and USDA loans. Use this workbook with Module 7 online at yourmortgagetoolbox.com/learn/refinancing/ or in a class led by an instructor. Type directly into the shaded boxes on screen, or print it and write by hand.

Name

Date started

Instructor or class (if any)

How to use this workbook

1. Read or attend each lesson, then fill in the matching page.
2. Use real numbers from your own situation where asked. Nothing here is submitted anywhere. It stays with you.
3. Take the self-assessment quiz before you check the answers online.
4. Finish with your action plan. That plan is the real goal of this module.

Lessons in this module

Lesson	Topic	Done
7.1	When Refinancing Makes Financial Sense	☐
7.2	Calculating Your Break-Even Point	☐
7.3	The Real Cost of a "No-Closing-Cost" Refi	☐
7.4	Cash-Out Refinancing: How It Works and When to Use It	☐
7.5	Streamline Refinances for FHA, VA, and USDA Borrowers	☐
Quiz	Self-assessment (7 questions)	☐

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LESSON 7.1

When Refinancing Makes Financial Sense

Refinancing replaces your existing mortgage with a new one. The new loan pays off the old balance, and you begin making payments on the new loan's terms.

Key ideas

Key idea	In my own words
Rate-and-Term Refinancing	
When Refinancing Probably Doesn't Make Sense	

The right question: "Is refinancing worth it?" is the wrong question. The right question is: "Will I stay in this home long enough that the monthly savings from refinancing exceed the closing costs I'll pay?" That's the break-even analysis, and it's simple to calculate.

Worksheet A: How this applies to me

What applies to my situation

One question I still have

One action I will take

Notes

LESSON 7.2

Calculating Your Break-Even Point

The break-even calculation is the only number that matters when deciding whether a rate-and-term refinance is worth doing.

Key ideas

Key idea	In my own words
The Simple Break-Even Formula	
Including the Tax Effect	
Resetting Amortization: The Hidden Cost	

Worksheet B: Run it in the Refinance Calculator

Open the Refinance Calculator at yourmortgagetoolbox.com and run your own numbers. Record what you find.

Scenario I ran (price, down payment, rate, etc.)

Result I want to remember

What surprised me

Notes

The Real Cost of a "No-Closing-Cost" Refi

"No closing cost" refinancing sounds like a free lunch. It isn't.

Key ideas

Key idea	In my own words
Two Phrases, Two Very Different Things	
Method 1: Roll Closing Costs Into the Loan Balance	
Method 2: Accept a Higher Rate in Exchange for Lender Credits	
When No-Closing-Cost Makes Sense	

When you hear "no cost," ask one question: "Are the closing costs being rolled into my loan balance, or are they being covered by a higher rate?" The answer tells you exactly which method is being used and what it will actually cost you over time.

Worksheet C: How this applies to me

What applies to my situation

One question I still have

One action I will take

Notes

Cash-Out Refinancing: How It Works and When to Use It

A cash-out refinance replaces your existing mortgage with a new, larger loan.

Key ideas

Key idea	In my own words
How It Works	
Common Uses of Cash-Out	
Cash-Out vs. HELOC vs. Home Equity Loan	

Texas homeowners: special rules apply. Texas is the only state where the 80% LTV cap on cash-out refinancing for a homestead property is constitutionally mandated, written into the Texas Constitution (Article XVI, Section 50). That means no lender can exceed it, regardless of loan type or their own.

The rate environment question: If your current mortgage is at 3.5% (a rate many people locked in during 2020–2021) and you want to access equity, a cash-out refi at today's 7%+ rate dramatically increases your payment and total interest cost. In that situation, a HELOC or home equity loan that.

Worksheet D: How this applies to me

What applies to my situation

One question I still have

One action I will take

Notes

LESSON 7.5

Streamline Refinances for FHA, VA, and USDA Borrowers

If you have a government-backed loan, you may qualify for a streamline refinance, a simplified process designed to reduce paperwork, skip the appraisal, and move quickly when interest rates drop.

Key ideas

Key idea	In my own words
FHA Streamline Refinance	
VA Interest Rate Reduction Refinance Loan (IRRRL)	
USDA Streamlined Assist Refinance	

Worksheet E: Run it in the Refinance Calculator

Open the Refinance Calculator at yourmortgagetoolbox.com and run your own numbers. Record what you find.

Scenario I ran (price, down payment, rate, etc.)

Result I want to remember

What surprised me

Notes

Module 7 Quiz

Type the letter of your answer, or write it in by hand. Then check your results online at yourmortgagetoolbox.com/learn/refinancing/ or ask your instructor for the answer key.

1. The most important calculation to make before deciding whether to refinance is: My answer
 - A. How much lower the new rate is compared to the old rate
 - B. The break-even point: how long until monthly savings repay the closing costs
 - C. Whether the new monthly payment is at least \$200 lower

2. If your closing costs are \$8,000 and your monthly payment savings are \$200, your break-even point is: My answer
 - A. 20 months
 - B. 40 months
 - C. 80 months

3. In a "no-closing-cost" refinance where the lender covers costs in exchange for a higher rate, you're paying for the closing costs via: My answer
 - A. A one-time fee paid at closing
 - B. A higher interest rate for the life of the loan (or until you refinance again)
 - C. A higher loan balance with no rate increase

4. In a cash-out refinance, lenders typically allow you to borrow up to what percentage of your home's value? My answer
 - A. 100%
 - B. 80%
 - C. 60%

5. The VA IRRRL (VA Streamline) is notable because: My answer
 - A. It allows veterans to convert their VA loan to a conventional loan
 - B. It requires no appraisal and no income or employment verification, making it one of the simplest refinance options available
 - C. It is only available to first-time homebuyers

6. A homeowner with a 3.5% first mortgage who wants to access equity should generally consider: My answer
 - A. A cash-out refinance at the current 7%+ rate
 - B. A HELOC or home equity loan that leaves the existing low-rate first mortgage intact
 - C. Selling the home to access the equity

7. Refinancing a 30-year mortgage 10 years into the loan into a new 30-year loan primarily: My answer
 - A. Shortens the overall time to payoff by capitalizing on a lower rate
 - B. Resets amortization, meaning early payments once again go predominantly to interest, potentially increasing total interest paid even at a lower rate
 - C. Has no impact on amortization since the balance is the same

My score (out of 7)

Topics I want to review

My Action Plan

Pick the three or four actions that matter most for you. Be specific: what, how much, and by when.

Next 30 days

31 to 60 days

61 to 90 days and beyond

My Module 7 readiness check

- ☐ I can explain: When Refinancing Makes Financial Sense
- ☐ I can explain: Calculating Your Break-Even Point
- ☐ I can explain: The Real Cost of a "No-Closing-Cost" Refi
- ☐ I can explain: Cash-Out Refinancing: How It Works and When to Use It
- ☐ I can explain: Streamline Refinances for FHA, VA, and USDA Borrowers

Questions for my housing counselor or loan officer

Next: continue with the next module at yourmortgagetoolbox.com/learn/, and try the calculators at yourmortgagetoolbox.com to run your own numbers.

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