HOME FINANCING, SIMPLIFIED

Mortgage Recast Explained

How a lump-sum principal payment may lower your monthly payment without replacing your current mortgage.

What is a mortgage recast?

• **A recast keeps your existing mortgage in place.** You make a significant principal payment, then your loan servicer recalculates the monthly principal-and-interest payment using the lower balance and the remaining loan term.

• **Your interest rate usually stays the same.** Your maturity date generally stays the same too - the payment changes because the balance being amortized is smaller.

• **Escrow is separate.** Property taxes and homeowners insurance can still cause the total monthly payment to change even after a recast.

Simple example

Before lump sum	After $75,000 principal payment
$350,000 remaining balance 6.50% rate 27 years remaining **Approx. P&I: $2,294/mo**	$275,000 remaining balance Same 6.50% rate Same 27 years remaining **Approx. P&I: $1,803/mo**

Illustration only. Actual results depend on the exact balance, remaining term, payment timing, servicer rules, and any recast fee.

Recast vs. refinance

Recast	Refinance
Keeps the existing loan and rate Usually requires a large principal payment Often simpler and lower-cost Availability depends on the servicer and loan	Replaces the existing mortgage Can change the rate and/or loan term May involve appraisal, underwriting, and closing costs Can be useful when market rates or goals have changed

Before you send a big principal payment...

Ask your servicer whether your loan is eligible for a recast, what minimum principal reduction is required, and whether there is a fee. If you are deciding between a recast and a refinance, we can help you compare the numbers.

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