How Soon Can You Refinance a Mortgage Loan? 2024 Rules

How soon can you refinance your home after purchasing it?

If you're wondering how soon you can refinance a mortgage, even if you've just bought a house or recently refinanced, the answer might surprise you.

Many homeowners have the option to refinance into a lower-rate loan immediately, with no waiting period.

Others may only need to wait as little as six months. This means there's a strong possibility that you're eligible for a mortgage refinance at today's favorable rates.

Understanding mortgage refinancing timelines

How soon can you refinance your mortgage? The answer depends on the type of mortgage you have and your current financial situation.

- **Conventional loans:** Immediately after closing, but many lenders require a 6-month "seasoning period" for refinancing with the same company
- **FHA loans:** 210 days to 12 months waiting period
- **VA loans:** 210-day wait or 6 on-time payments, whichever comes later
- **USDA loans:** 12 months of on-time payments
- **Jumbo loans:** Subject to individual lender policies

Let's take a closer look at the refinancing timelines for each loan type.

How soon can you refinance a conventional loan?

If you have a conventional mortgage backed by Fannie Mae or Freddie Mac, you might be able to refinance immediately after closing your home purchase or a previous refinance. However, it's important to note that many lenders have a six-month "seasoning period" before allowing a current borrower to refinance with the same company.

If you want to refinance with your current lender, you'll likely have to wait until the seasoning requirement has passed. However, you can often circumvent this waiting period by shopping around and refinancing with a different lender.

You can often get around the six-month seasoning requirement by simply refinancing with a different lender.

Before moving forward with a refinance, check if your current loan has a prepayment penalty clause, as some lenders charge a fee for paying off your loan early. While it's rare, a prepayment penalty could derail your refinancing plans.

Rules for a conventional cash-out refinance

If you're considering a **conventional cash-out refinance**, you typically need to wait at least six months from the date of your original mortgage closing before refinancing, regardless of the type of mortgage you have. Additionally, most lenders require that you leave at least 20% equity in your home after the cash-out refinance.

So, before you can use a cash-out refi, you need to be sure you've built up enough home equity to make one worthwhile. If you made a large down payment or if your home has appreciated in value, you may already have enough home equity to qualify.

If your primary goal is to access cash and not necessarily to lower your interest rate or change your loan term, alternative options such as a home equity loan or home equity line of credit (HELOC) may be less expensive than the closing costs associated with a cash-out refinance.

These options allow you to borrow against your home's equity without refinancing your entire mortgage.

How soon can you refinance an FHA loan?

The waiting period for refinancing an FHA loan ranges from 210 days to 12 months, depending on the type of refinance you choose and your current mortgage situation. The Federal Housing Administration (FHA) offers three main refinancing options, each with its own seasoning period requirement:

1. **FHA Streamline Refinance:** To be eligible for an FHA Streamline Refinance, you must have had your current FHA mortgage for at least 210 days (approximately 7 months) and made at least six on-time monthly payments. This option offers a faster way to lower your interest rate with fewer requirements.
2. **FHA rate-and-term refinance:** If you want to change your loan's interest rate, the loan term, or both, you can opt for an FHA rate-and-term refinance. To qualify, you must wait at least six months from the date of your original mortgage closing and have a recent history of on-time mortgage payments.
3. **FHA cash-out refinance:** If you're looking to tap into your home equity, you can apply for an FHA cash-out refinance. To be eligible, you must have owned your home for at least 12 months if it's your primary residence. If you have an existing mortgage, you must have had it for at least six months before applying for an FHA cash-out refinance, and all mortgage payments in the last year must have been made on time. However, if you own your home outright, there is no waiting period for a cash-out refinance.

How soon can you refinance a VA loan?

If you have a VA loan, you must wait at least 210 days from the date of your original VA loan closing or have made at least six on-time payments, whichever comes later, before refinancing.

The Department of Veterans Affairs (VA) offers two primary refinancing options for eligible veterans, service members, and surviving spouses: the VA cash-out refinance and the Interest Rate Reduction Refinance Loan (IRRRL), also known as a VA streamline refinance.

1. The **VA cash-out refinance** allows you to refinance your conventional or VA loan into a new VA loan while extracting cash from your home's equity.
2. The **VA IRRRL** is a simple process for those who already have a VA loan and want to lower their interest rate without the need for an appraisal, income verification, or a new certificate of eligibility.

How soon can you refinance a USDA loan?

If you have a USDA loan, you must have made on-time payments for the previous 12 months before being eligible to refinance through the United States Department of Agriculture's (USDA) streamlined refinance program.

To qualify for a USDA streamlined refinance, the new interest rate must be at least 1% lower than the original interest rate on your existing USDA loan, and the refinance must result in a net tangible benefit, such as a lower monthly payment.

How soon can you refinance a jumbo loan?

If you have a jumbo loan, also known as a non-conforming loan, you may be able to refinance without having to wait, as these loans are not regulated by Fannie Mae and Freddie Mac. However, the specific waiting period and eligibility requirements for refinancing a jumbo loan are subject to individual refinance lender policies.

Jumbo loans exceed Fannie Mae and Freddie Mac's conforming loan limits and have more rigorous standards because they are not federally guaranteed. To determine if you can refinance your jumbo loan and how soon you can do so, it's best to speak with your loan officer, as they can provide more information on your lender's specific policies.

6 reasons to refinance your mortgage

"How soon can you refinance a mortgage?" is a question many homeowners ask. The decision should be based on your current financial situation and future objectives.

What's most important to focus on is, what are the monthly and lifetime savings of the loan? What are the costs? And how long will it take you to recover those costs with the savings you'll earn?

1. Get a better interest rate

Getting a lower interest rate is a common reason to refinance. When interest rates go down, you can save a lot of money on interest payments by refinancing. This is especially true for loans with long terms, such as a 30-year mortgage.

2. Own your home sooner

Another good reason to refinance is to shorten the length of the loan. Even though your monthly payments might go up, you'll probably pay less in interest over the life of the loan. Also, you'll own your home outright much faster.

3. Get a fixed-rate loan

Switching from an **adjustable-rate mortgage (ARM)** to a fixed-rate mortgage (FRM) can provide financial stability. ARMs usually start out with lower rates, but they can go up a lot over time. By switching to a fixed-rate mortgage, you lock in a constant interest rate for the life of the loan, which makes budgeting easier.

4. Tap into your home equity

With a cash-out refinance, homeowners can use their home equity to pay for big expenses like home repairs or to pay off debts with high interest rates like credit cards or student loans. This can make financial sense if the interest rate on the new mortgage is lower than the interest rate on the debts that are being paid off.

5. Drop mortgage insurance

Most conventional mortgages require **private mortgage insurance (PMI)** if you put less than 20% of the loan amount down at closing, and some government-backed loans require a monthly **mortgage insurance premium (MIP)** unless you put down at least 10%. You might save money by refinancing your loan to drop mortgage insurance if the market value of your home has increased quickly or if you have more money to put down on a new loan.

6. Divorce settlement

Refinancing your home during a **divorce mortgage settlement** is an effective way to remove your spouse's name from the mortgage. This process ensures that only one name remains tied to the property, ensuring sole ownership. It's an important step in finalizing property matters in a divorce.

Costs and considerations when refinancing your mortgage

Before deciding to refinance your mortgage loan, it's essential for homeowners to understand the various costs and factors associated with the process. While many borrowers focus on securing a lower interest rate or tapping into their home equity, there are several other considerations to keep in mind when exploring mortgage refinancing options.

Closing costs and fees

One of the most significant expenses associated with refinancing your home loan is closing costs. These fees can include application fees, appraisal fees, title search and insurance, and attorney fees.

Closing costs typically range from 2% to 5% of the total loan amount, which can add up quickly. Some mortgage lenders offer no-closing-cost refinance options, but these often come with a higher interest rate, which can increase your overall borrowing costs over the life of the loan.

Alternatively, many lenders can **roll the closing costs** into your mortgage principal amount or cover them in the form of a higher

interest rate, so you don't have to pay upfront. But be aware that a higher interest rate could make the loan more expensive in the long run.

Credit score impact

Your credit score plays an important role in determining your eligibility for refinancing and the interest rate you'll receive. Before applying for a mortgage refinance, check your credit report for accuracy and take **steps to improve your credit score** if necessary. A higher credit score can help you secure better terms and a lower interest rate on your new loan.

Reduce your monthly payment

When refinancing your mortgage, you may have the option to extend your loan term. While this can lower your monthly mortgage payment, it also means you'll be paying more in mortgage interest over the life of the loan. Consider your long-term financial goals and whether extending your repayment term aligns with those objectives.

Potential for higher interest rates

While many borrowers refinance to secure a lower interest rate, there's always the possibility that interest rates have increased since you obtained your original loan. In such cases, refinancing may not make financial sense unless you're looking to tap into your home equity or switch from an adjustable-rate mortgage to a fixed-rate loan.

Overall borrowing costs

When evaluating mortgage refinancing options, consider the overall borrowing costs, not just the interest rate. This includes closing costs, any prepayment penalties on your current mortgage, and the total mortgage interest you'll pay over the life of the loan. Use a **refinance calculator** to help you determine the break-even point and decide whether refinancing is a wise personal finance move.

Slower equity building

Refinancing your existing loan can also impact the rate at which you build equity in your home. When you refinance, you're essentially starting over with a new mortgage, which means it may take longer to build equity. This is especially true if you opt for a cash-out refinance or extend your loan term. Consider how refinancing aligns with your long-term homebuying goals and wealth-building strategies.

By carefully weighing these costs and considerations, homeowners can make an informed decision about whether mortgage refinancing is the right choice for their unique financial situation.

When is the right time to refinance your mortgage?

Timing your mortgage refinance is key to maximizing your financial advantages. While there's no one-size-fits-all answer, there are several factors that can help you determine whether it's the right time to refinance.

Market conditions

Market conditions play a significant role in determining whether it's a good time to refinance your home loan. When mortgage rates are low, it may be an opportune time to explore refinancing options, particularly if you have a 30-year loan with a higher interest rate.

Keep an eye on real estate market trends and **mortgage rate changes** to identify potential opportunities to save money on your monthly mortgage payments or tap into your home's value.

Personal financial health

Your financial health is another key factor to consider when deciding whether to refinance your existing loan. If your credit score has improved significantly since you first obtained your home loan, you may be able to secure a lower interest rate and more favorable loan terms.

Additionally, if you have enough equity in your home, you may be able to eliminate private mortgage insurance (PMI) or explore options like a cash-out refinance or home equity line of credit (HELOC).

Mortgage interest rates and trends

Closely monitoring mortgage rates and trends can help you identify the optimal time to refinance your home loan. If you're a **first-time home buyer** or have an existing mortgage, pay attention to whether rates are trending upward or downward.

When rates are on a downward trend, it may be a good time to start shopping for the best mortgage rates and comparing offers from various refinance lenders. Keep in mind that even a small decrease in your interest rate can result in significant savings over the life of your loan, particularly if you have a 30-year loan.

How to refinance your mortgage step-by-step

Refinancing your mortgage can seem like a daunting process but breaking it down into manageable steps can help you navigate the journey with confidence. Here's a **step-by-step guide** to help you successfully refinance your home loan.

Step 1: Gather necessary documents

Before you start shopping for refinancing options, gather all the necessary documents to streamline the application process. These documents typically include:

- Proof of income (pay stubs, W-2 forms, tax returns)
- Bank statements
- Asset statements (investments, retirement accounts)
- Proof of homeowners insurance
- Copy of your current mortgage statement
- Government-issued identification

Having your current photo passport or driver’s license readily available will make it easier to compare lenders and submit your application.

Step 2: Compare lenders and offers

Once you have your documents in order, start researching and comparing refinance lenders. Look for lenders that offer competitive interest rates, low fees, and favorable loan terms. Consider factors such as customer service, reputation, and any special programs or incentives they may offer.

Request quotes from multiple lenders and compare their offers side by side. Pay attention to the annual percentage rate (APR), which includes both the interest rate and any associated fees, to get a clear picture of the total cost of each loan.

Step: 3 Submit your application

After selecting the lender with the best offer, submit your refinancing application. Most lenders allow you to apply online, but some may require an in-person visit or a phone call. Provide all the necessary documentation and be prepared to answer questions about your financial situation and refinancing goals.

Step 4: Underwriting and approval process

Once your application is submitted, the lender will begin the underwriting process. During this stage, they will verify your income, assets, and credit history to determine your eligibility for the loan. They may also order a home appraisal to assess the current value of your property.

If your application is approved, the lender will provide you with a loan estimate detailing the terms of your new mortgage, including the interest rate, monthly payment, and closing costs.

Step 5: Closing on your new loan

After reviewing and accepting the loan estimate, you’ll move forward with closing on your new mortgage. This process typically involves

signing a variety of legal documents and paying any required closing costs.

Once the closing process is complete, your old mortgage will be paid off, and you'll begin making payments on your new loan according to the terms outlined in your loan agreement.

FAQ: How soon can you refinance your mortgage loan?

How soon can you refinance after buying a house?

In most cases, you'll need to wait at least six months after buying a house before you can refinance. Some government-backed loans, such as FHA, VA, and USDA loans, may have different waiting periods ranging from 6-12 months.

How often can you refinance your home?

There is no legal limit on how often you can refinance your home. However, most lenders require a waiting period of six months between refinances. Keep in mind that refinancing involves closing costs, so it's essential to ensure that the benefits of refinancing outweigh the expenses.

How long does it take to refinance a house?

Refinancing typically takes between 30 and 60 days. Government-backed Streamline Refinance loans, which often don't require an appraisal, may close faster.

Does refinancing hurt your credit?

When you refinance, mortgage lenders check your credit report using a hard credit pull. A hard pull can knock a few points off your score. However, you can get refinance quotes from multiple lenders without having multiple credit dings. If you get all your quotes within a reasonable shopping period (2-4 weeks), all credit inquiries during that time count as a single event. So, the effect on your credit will be minimal—typically five points or less.

How can I avoid closing costs on a refinance?

There are two main ways to avoid closing costs when you refinance. First, you can look for a no-closing-cost refinance, which typically means the lender covers your closing costs in exchange for a higher interest rate. Or you may be able to roll closing costs into your new loan balance. With this method, closing costs are financed along with the rest of your mortgage, so you don't owe anything out of pocket on closing day.

Does refinancing start your loan over?

Yes. When you refinance, you're opening a brand-new mortgage loan. So, you start your repayment schedule on day one. You have the option of choosing a shorter loan term when you refinance, such as refinancing a 30-year mortgage into a 15-year mortgage to pay off the loan sooner. However, a shorter loan term means a larger monthly payment.

Can you refinance if you have bad credit?

Sometimes. FHA and VA loans have streamlined refinance programs that may not require a credit check, assuming you meet certain conditions. However, a cash-out refinance or switching to a different type of loan, such as replacing an FHA loan with a conventional loan without PMI, would require a credit score of at least 620.

Understanding how soon you can refinance a mortgage

Mortgage refinancing can be a smart personal finance strategy, particularly if a thorough comparison reveals potential savings, either monthly or over the entire life of the loan.

Waiting a significant amount of time before refinancing is a common misconception. In reality, you're often eligible to apply for refinancing shortly after closing your previous loan. To make an informed decision, use a mortgage calculator to better understand the financial implications of a refinance.