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By David Houck, Qualifying Broker – Atomic Realty

When buying a home Atomic Realty suggests “shopping lenders” lenders have different programs with many different features such first time buyer programs, low down payment programs, recasting and refinancing programs. In this article I would like to talk about recasting a loan vs refinancing, some ways to lower your payment.

Understanding Loan Recasting vs. Refinancing: Options to Lower Your Mortgage Payment
Recasting vs. Refinancing: What’s the Difference? Sometimes a buyer purchases a new home before selling their current one, planning to use the proceeds from the sale to pay down the principal on the new loan. While applying those funds directly to the principal can shorten the loan term and reduce total interest paid over time, it usually does not reduce the monthly payment.

If your goal is to lower your monthly payment after making a large principal payment—perhaps from the sale of a previous home, an inheritance, or a bonus at work—you may want to explore two primary options with your lender: a loan recast or a loan refinance.

1. Loan Recast

A loan recast allows you to apply a lump-sum payment to your principal. After the payment is made, the lender recalculates your monthly payment based on the new, lower balance. This typically results in a reduced monthly payment without changing your interest rate or loan term.

However, many lenders require the loan to be “seasoned” (held for a certain period, often 7 to 8 months) before a recast is allowed. Not all loan types or lenders offer recasting, so be sure to confirm eligibility.

2. Loan Refinance

Refinancing involves replacing your current mortgage with a new one, often to secure a lower interest rate, change the loan term, or adjust the loan structure. If interest rates have dropped during the 7–8 months after your original loan began, refinancing could be a more cost-effective option than recasting. Some lenders may even waive certain fees for refinancing, but costs and conditions vary, so it's essential to compare offers.

Why It Matters to Shop Around

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Whether you're considering a recast or refinance—or simply want to understand your options—it's important to speak with multiple lenders. Policies differ widely. Some lenders may require a longer wait before allowing changes to the loan, and associated fees can vary significantly.

By getting clear on these details early, you can make more informed decisions and potentially save thousands over the life of your loan.

About the Author:

David Houck is the Qualifying Broker of Atomic Realty (AtomicRealty.net). With over 40 years of experience in real estate, a BS in math and physics, and a law degree, David is committed to providing clients with knowledgeable, ethical guidance. He volunteers on the NM Association of Realtors Forms Committee, working to create clear and concise forms that serve and protect the public. Though licensed as a property manager, Atomic Realty focuses exclusively on property sales—we believe in doing one thing and doing it well.