

Homeowner Refinance Guide

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Getting Started With Refinancing

Revised 9/10/26

Welcome!

Whether you are just beginning to explore refinancing or simply want to better understand your options, this guide is designed to help you make informed decisions with confidence.

Refinancing can feel complicated, but you do not need to be an expert to understand how it works. We'll walk you through the basics in clear, straightforward language so you can learn about your options, understand the costs, and make informed decisions about your home loan.

Inside, you'll learn about:

- Common reasons homeowners refinance
- Different types of refinancing
- Costs, savings, and the break-even point
- Questions to consider before refinancing
- What lenders may consider during the process
- Tips for comparing your options

You do not need to have all the answers before getting started. Our goal is to give you the information you need to ask questions, understand your options, and decide what may work best for you.

When you're ready to explore refinancing, AbbyBank's Mortgage Loan Officers are here to help. They can review your financial situation, discuss your options, and help explain loan terms and costs.



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Refinancing Explained

Revised 9/10/26

What is mortgage refinancing?

A mortgage refinance replaces your current home loan with a new home loan. The new loan may have different terms, such as a different interest rate, loan length, or loan amount.

Homeowners refinance for different reasons. Some may want to lower their monthly payment or interest costs, while others may want to pay off their mortgage sooner or use some of the equity in their home.

Why Homeowners Refinance

Lower Monthly Payments

A lower interest rate or a longer term may reduce your monthly mortgage payment.

Reduce Interest Costs

A lower interest rate or shorter loan term may reduce the amount of interest you pay over time.

Pay Off Your Mortgage Faster

Refinancing to a shorter loan term may help you pay off your mortgage sooner. Keep in mind that a shorter term may also mean a higher monthly payment.

Access Home Equity

A cash-out refinance may allow you to borrow more than you currently owe on your mortgage and receive the difference in cash. Homeowners may use these funds for home improvements, debt consolidation, or other financial needs.

There is no one-size-fits-all refinance.

What makes sense for one homeowner may not make sense for another. Your current loan, financial goals, how long you plan to stay in your home, and the costs of refinancing can all affect whether refinancing may be right for you.



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Understanding Your Refinancing Options

Revised 9/11/26

Types of Mortgage Refinancing

Refinancing can serve different purposes depending on your financial goals and the terms of your current mortgage. Two common types of refinancing are rate-and-term refinancing and cash-out refinancing.

RATE-AND-TERM REFINANCE

Changes the interest rate, loan term, or both while generally refinancing the existing mortgage balance.

Common reasons:

- Lower the monthly payment
- Reduce interest costs
- Change from one loan term to another
- Pay off the mortgage sooner

CASH-OUT REFINANCE

Replaces your current mortgage with a new loan for more than you owe, allowing you to access some of the **home equity**, with the difference provided to you as cash.

Common uses:

- Home improvements
- Debt consolidation
- Other large expenses

WHAT DOES IT MEAN?

Home Equity

The portion of your home that you own based on the difference between your home's value and the amount you still owe on your mortgage.



KEEP IN MIND

A cash-out refinance increases the amount owed on your mortgage. Before choosing this option, consider how the new loan amount, interest rate, monthly payment, and total costs fit into your overall financial goals.



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Understanding Refinancing Costs & Savings

Revised 9/15/26

What does refinancing cost?

Refinancing is not free. Before deciding whether to refinance, consider the costs of obtaining the new loan and how these costs affect your potential savings.

At AbbyBank, total closing costs are typically \$1,500-\$3,000, depending on the loan and your individual circumstances.

Costs May Include:

Origination Fees

Fees associated with processing and originating the new mortgage.

Administration Fees

Fees associated with administrative services related to processing the mortgage.

Appraisal

The cost of determining the current value of your home.

Title-Related Costs

Costs associated with title services and insurance associated with the new mortgage, when applicable.

Flood Determination

The cost of determining whether the property is located in a flood hazard area.

Recording Fees

Government fees associated with recording the new mortgage.

Tax Service

A fee associated with services that help manage property tax information related to the mortgage.



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Other Costs to Consider

Monthly Payment

A shorter loan term may help you pay off your mortgage sooner, but it may also result in a higher monthly payment.

Interest Costs

A lower interest rate or shorter loan term may reduce the amount of interest you pay over the life of the loan.

Home Equity

A cash-out refinance increases the amount you owe on your mortgage. Consider the long-term cost of borrowing against your home equity.

Market Conditions

Interest rates and other market conditions can affect the rate available when you refinance.



KEY TAKEAWAY

Don't focus only on the new monthly payment. Consider your closing costs, interest rate, loan term, and total cost over time when comparing refinancing options.

Understanding Your Break-Even Point

Your break-even point is the amount of time it takes for your monthly savings from refinancing to equal the costs of obtaining the new loan.



REAL-LIFE EXAMPLE

If refinancing costs \$3,000 and saves you \$200 per month, it would take 15 months to reach the break-even point.



Costs
\$3,000

\$ Monthly Savings
\$200/month



Break-even
15 Months

If you plan to stay in your home longer than the break-even period, you may have more time to benefit from the potential savings.



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Questions to Ask Before Refinancing

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Before deciding whether refinancing may be right for you, it can help to look at your current mortgage, your financial goals, and the costs involved. Use the questions below to organize your thoughts and jot down information you may want to discuss with a lender.

1. What is my current interest rate?

Your current rate gives you a starting point for comparing the rate and terms available through a refinance.

My current interest rate and term: _____

2. What is my current loan balance?

Your remaining loan balance can help determine how much you may need to refinance.

My current loan balance: _____

3. How long do I plan to stay in my home?

Think about how long you expect to keep your home. Your timeline can help you determine whether you may have enough time to benefit from the potential savings of refinancing.

I expect to stay in my home: _____

4. What are my total refinance costs?

Look beyond the interest rate and monthly payment. Consider closing costs, fees, points, and other expenses when comparing your options.

Estimated refinance costs: _____

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5. Will my monthly payment change?

A lower interest rate does not always mean a lower payment. The loan term, loan amount, taxes, insurance, and other factors can also affect your monthly payment.

Current payment: \$_____

Potential new payment: \$_____

6. Could I save money over time?

Compare the total cost of your current loan with the total cost of a new loan. A lower monthly payment does not necessarily mean you will pay less overall.

Questions or notes:



KEY TAKEAWAY

A lower payment isn't the whole story.

When comparing refinance options, look at both your monthly payment *and the total cost of the loan over time.*



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What Lenders May Review

Revised 9/15/26

When you apply to refinance, your lender will review information about your finances, current mortgage and property to determine what loan options may be available to you.

Credit History & Credit Score

Your credit history and score can affect loan eligibility, terms and costs.

Income & Employment

Lenders may review income and employment information to evaluate your ability to repay the loan.

Debt-to-Income Ratio

Your debt-to-income ratio compares your monthly debt obligations with your gross monthly income.

Home Value & Available Equity

Your home's value and the amount you owe on your mortgage help determine how much equity you have available.

Mortgage Payment History

Your current mortgage payment history may be reviewed as part of the application process.



QUICK TIP

Keep your financial information organized.

Having recent income, asset, mortgage and other financial documents available can help you respond to request during the application process.



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