03 / GUIDE

WHEN DOES REFINANCING ACTUALLY PAY OFF?

Rates moving is not, by itself, a reason to refinance. Here's the simple test I actually use.

Refinancing isn't free — there are closing costs involved, same as when you originally bought. So the real question isn't "did rates drop," it's "will the drop actually save me enough to make it worth paying those costs again."

My rule of thumb: $200+ a month

If a refinance saves you $200 or more a month, it generally recoups the closing costs and pays you back over time. Below that, the math gets a lot more case-by-case — it still might make sense, it just needs a closer look.

Current payment	$3,100 / mo
New payment after refinance	$2,850 / mo
Monthly savings	$250 / mo
Verdict	**Worth running the numbers →**

A few other things worth factoring in alongside the monthly savings: how many more years you plan to stay in the home, whether you're shortening or extending your loan term, and whether you're rolling closing costs into the loan or paying them out of pocket. None of that changes the quick gut-check — it just adds color once we're actually running your numbers.