

## 7 HELPFUL TIPS

1. Do NOT put **unsecured debt** on your house.
2. Be wary of salesmanship and plans to refinance that seem **too good to be true**. They usually are!
3. Refinancing often replaces and pays off mortgages that had better interest rates and terms of payment. **Find alternatives to financing in order to keep your current mortgage and its terms.**
4. Avoid adjustable rate mortgages
5. Do **your own financial analysis** and find ways to **SAVE**
6. Remember that all good loans require being paid on time.
7. Get a legal evaluation from an experienced attorney even if you have already started to refinance your home.

*Call Attorney Neil Crane for a  
Free Consultation*

*Seek a legal evaluation of your  
situation before refinancing. There  
may be other safer options.*

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# THE PITFALLS OF REFINANCING



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SPEAK TO AN ATTORNEY  
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## PERILS OF REFINANCING

- Refinancing your home to avoid foreclosure may seem like a good solution but it is one of the worst mistakes families in trouble can make. **Refinancing can actually cause you to lose your home to foreclosure.**
- Refinancing your home to pay down other bills is the mistake most commonly made by families in financial trouble.
- Paying off debt with *new debt* on your home does NOT address the family's real problem—not enough income.

## RISKS OF REFINANCING

Refinancing is an important decision that will affect your home and your family for many years to come. Refinancing may seem to be a helpful tool but many promises to refinance NEVER come true. This is especially so if you are already behind in your mortgage payments or are in foreclosure. **Relying on these promises can make you susceptible to the loss of valuable legal rights and even your family's home.** This can occur

while you are waiting for the mortgage brokers who themselves are often inexperienced and UNSUCCESSFUL.

### 4 POSSIBLE RISKS

#### 1. LOSS OF YOUR HOME

Refinancing can create a larger mortgage lien against your home. As the debt against your house increases because of your refinancing, the odds of losing your increase overwhelmingly.

#### 2. DOUBLE WHAMMY

Your monthly house payments increase as the equity in your house decreases. This brings you two steps closer to losing your home.

#### 3. LOSS OF A GOOD FIRST MORTGAGE

Refinancing often pays off a good rate first mortgage as a “solution” to the need for just a small amount of extra money.

#### 4. BACK TO SQUARE ONE—RIGHT BACK TO WHERE YOU STARTED FROM

Refinancing starts you all over again with your entire payment going only to the interest on the mortgage. Getting rid of an old loan by taking on a new one forces you to start over. At that rate, you will keep on

paying interest and never get your mortgage paid down.

## DANGERS OF ADJUSTABLE MORTGAGES

An *adjustable mortgage* is a mortgage whose interest rate varies over time. While these types of mortgages often offer a low initial “teaser rate”, this rate will increase continually and result in **higher monthly payments.**

Adjustable mortgages are dangerous because they often lead to many costly refinances or to foreclosure problems. Although the rates may have a “cap” (a top limit) or be called a “fixed” rate mortgage (generally for only two years), the adjustment dates will lead to large jumps in monthly payments. This often creates unaffordable monthly payments.

### **DO NOT REFINANCE UNTIL YOU TALK TO AN EXPERIENCED LEGAL PROFESSIONAL**

Refinancing is the single leading cause of foreclosure and home loss in CT. Because of refinancing, today's homeowners are much more likely to lose their homes than the last generation of homeowners. It is important to consider other alternatives to foreclosure. First get trustworthy legal advice.