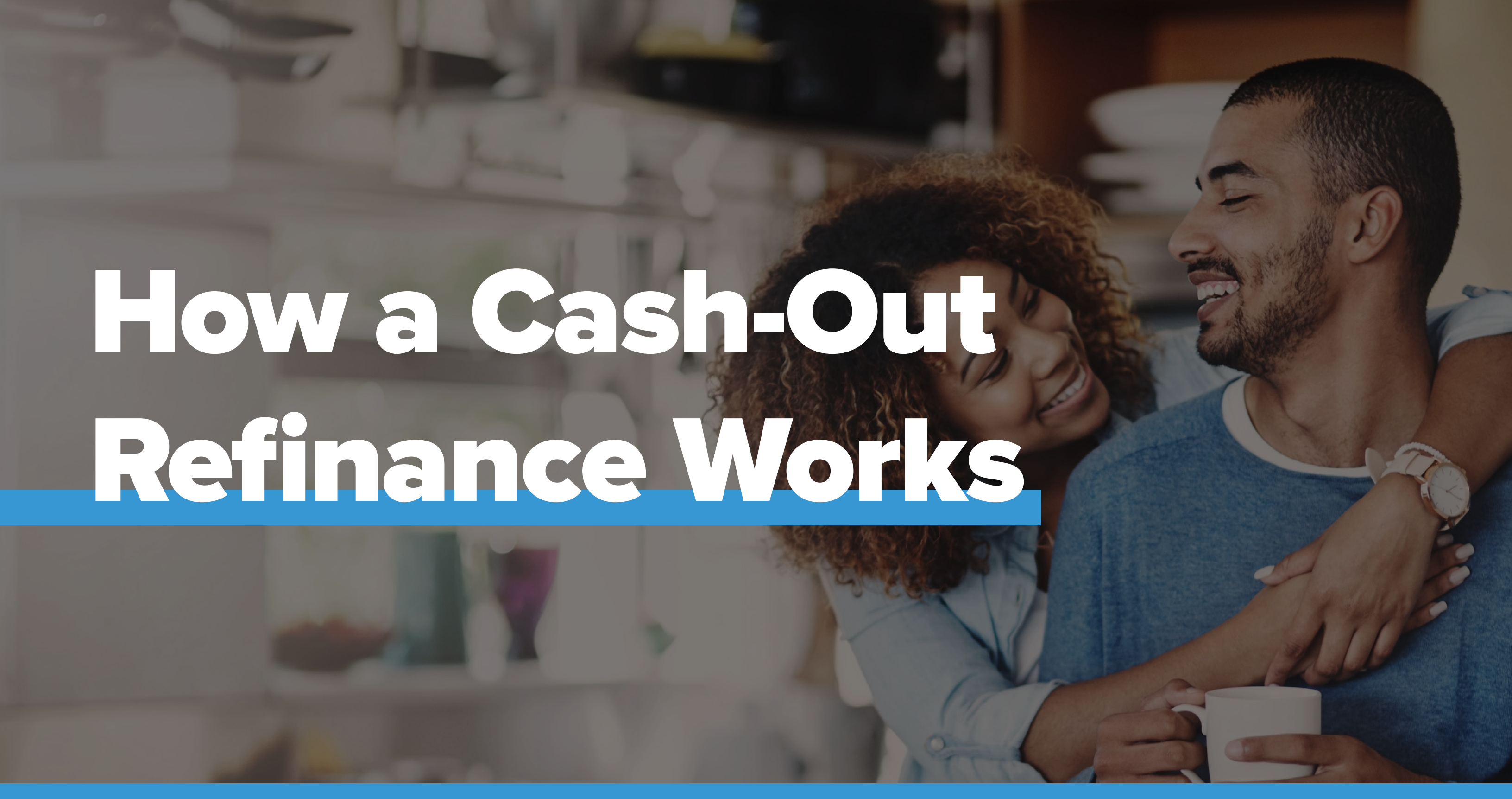

How a Cash-Out Refinance Works

You've probably heard this phrase before: "Your home can be your biggest asset." And while we admit the expression is a little overused, it's pretty spot-on when it comes to a cash-out refinance. In short, a cash-out refi allows you to access a portion of your home equity and turn that equity into cash for whatever you'd like.

Quite the asset.

If you think you could benefit from a cash-out refi, follow this flowchart as we walk you through each step of the process, from prep work to payoff.

The Prep Work

1. Establish Your Goal

First and foremost, decide what you'll use the funds for (if approved) and approximately how much cash that would require.

Many homeowners look to fund a major expense, like financing a big home improvement project, paying off high-interest debt, or funding college tuition.

2. Check Your Credit

Review your credit report. To be eligible, you must meet a lender's minimum credit score requirement – typically between **620 and 680**. The higher the score, the better the rate you could get.

3. Get Your Docs in a Row

Current paystub, past W2s, tax returns, mortgage statements, statement of assets, and statement of debt should all be collected.

The Process

4. Find the Right Home Loan

With a cash-out refi, you'll replace your current home loan with one with a new rate and a higher balance. Think about what loan and terms make sense for you.

5. Apply for the Cash-Out

Submit your documents, choose the desired new loan, and request the cash-out amount. Double-check to ensure all of this information is accurate.

Typically, you'll be limited to cashing out 80% of your home's loan-to-value (LTV) ratio. So, if your home is valued at $250,000 and your current mortgage balance is $150,000, you could cash out up to $80,000—making your new loan total $230,000.

6. Schedule the Appraisal

Your lender will order the appraisal, but you'll have to schedule it with the appraiser or an Appraisal Management Company.

The appraisal will determine the current market value of your home. It's a critical step in the process because it will give you a clear idea if the cash-out amount requested is realistic.

7. Wait for Underwriting

Your loan application and appraisal will now be reviewed by an underwriter to decide if you're approved.

The Payoff

8. Review Your Loan Docs

If approved, make sure you're satisfied with your new terms – loan, rate, and cash-out amount – and any new conditions given by the underwriter and your lender.

During the closing process, receive a Closing Disclosure. This document lays out the loan terms, projected payments, closing costs, and other important information about your loan.

9. Closing Time

Both parties meet for final verification. Your new loan will be funded and you will pay the required closing cost fees: appraisal fee, loan processing fee, etc.

10. Receive Your Cash

You'll get your cash-out amount in the form of a check or wire transfer, either at closing or after the 3-day rescission period.

Ready to see how much home equity you could cash out? Find out in your SmartWatch® Report.

ditech® HOME LOANS

EQUAL HOUSING LENDER