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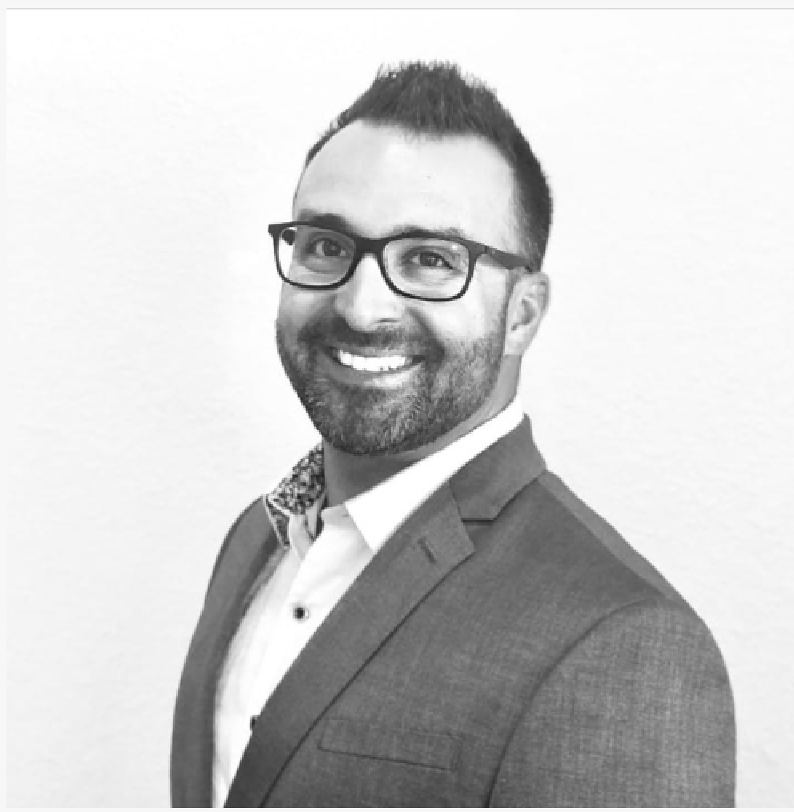
Co-Owner Anson Gentry

AUSTIN, TEXAS, UNITED STATES, July 5, 2022 /EINPresswire.com/ -- The Gentry Vansa Team takes a stand to battle increasing interest rates in Texas

Cash-out Refinance in Texas and most of America used to be trickier. But lawmakers have made it less daunting, resulting in more availments in recent years. In fact, according to the international mortgage data analytics firm Black Knight, cash-out refinance accounts for 60% of all refinance loans across the United States as of the fourth quarter-end of 2021. More borrowers are expected to tap into their home equities through cash-out refinancing in 2022.

What is a Cash-Out Refinance?

In simplest terms, cash-out refinance allows borrowers to take cash out of their homes without selling their property. Under this refinancing scheme, borrowers can use their home as collateral to get a new mortgage loan that is more than enough to pay off their existing one. Any amount above the mortgage payoff goes to the borrower as a lump sum of cash. The borrower can use this money for whatsoever purpose they see fit.

"Cash-out Refinance is where you take cash out of the home you own, and you can use that money for whatever you wish. As long as you maintain 20% equity in your home, you can access the difference." - Anson Gentry, Loan Officer with Fairway Independent Mortgage, and co-founder of The Gentry-Vansa Team


Co-Owner Brandon Vansa

As with any other loan, lenders will look into the borrower's credit score and debt-to-income ratio before the loan is approved. The total amount that can be borrowed will be based on the equity that the homeowner has in their home. Lenders may approve a loan up to 80% of the home’s appraised value.

However, borrowers with low mortgage rates may need to note that cash-out refinance rates have significantly increased in recent months. The average interest rate for a fixed-rate, 30-year mortgage as of June 2022 is 5.78%, as opposed to the 2.93% average rate last January 2021. Cash-out refinancing can also entail higher upfront closing costs than traditional refinancing schemes.

Cash-Out Refinance: Texas Section 50(a)(6) loans

Cash-out refinancing is also called Section 50(a)(6) loan in Texas, which references the amendments made in the Texas Constitution regarding restrictions on pulling equity out of mortgaged homes. Nevertheless, although cash-out refinancing has been made more flexible and accessible to Texans, there are still some Texas-specific rules that borrowers need to know.

First, excluding third-party costs, lenders in Texas cannot charge closing fees above 2% of the loan amount. Costs incurred by third parties can include title insurance, appraisal, and attorney fees.

Second, there is a six-month waiting period before a first-time borrower becomes eligible for cash-out to refinance. After that, the cash-out refinance loan may be obtained once every 12 months.

"Borrowers would have to wait those 12 months before they would become eligible for another access to the equity in their homes," says Anson Gentry. This is based on the restrictions in Article XVI, Section 50(a)(6) of the Texas Constitution.

Bottom Line

Cash-out refinancing is a useful option that is available to homeowners who want to utilize the value of their home's equity to finance immediate needs, such as debt payoffs, auto payments, and even student loans. This also allows the homeowners to reduce their monthly mortgage payments, finance home improvement projects, or explore investment opportunities.

Processing can take anywhere between 45 and 60 days, and the lump sum cash is usually released up to three days from closing. Given this timeframe, borrowers are advised to budget accordingly and prepare to cushion other financial needs before the loan proceeds become available.

As a general rule, borrowers should shop around to find mortgage lenders that can offer the best rates. Reputable firms like The Vansa-Gentry Team should be able to provide quotes and terms that will best fit the borrower's needs.

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