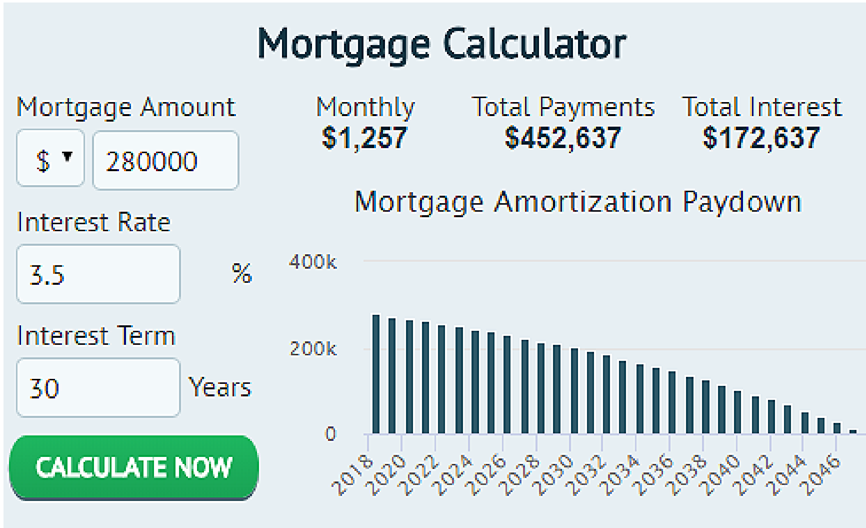

Mortgage Recasting (also known as: Reamortization)

What is mortgage recasting, and why do it?

A little-known strategy, called "recasting," or "re-amortization," is available through some mortgage lenders and servicers. **It involves paying off a lump sum of the principal amount and asking to have the monthly payments reset according to the original interest rate and loan terms.** This is also known as reamortizing because the original amortization schedule is adjusted to account for that extra payment.

Recasting doesn't come without a cost. First, borrowers must make a large lump-sum payment toward the loan principal, which means trading fluidity for equity. There are usually fees associated with recasting. It depends on the lender but, typically, they don't exceed a few hundred dollars.

Mortgage recasting qualifications and availability

Ask if your mortgage loan servicer offers recasting – many don't. It's also not something that's normally advertised, but most of the big banks offer it, including Chase, Bank of America and Wells Fargo.

Not all mortgages qualify for recasting; some types of loans, like FHA loans and VA loans, can't be recast.

How mortgage recasting works

If your lender does offer this service and your loan qualifies, they would reamortize your loan after you pay the lump sum toward the principal. All this means is that the lender will update the terms to reflect the new monthly payments based on the new and lower principal balance. Your interest remains the same. Once that happens, you continue making payments to the same lender – only you owe less and pay less each month.

Get the Facts. Talk to your mortgage servicer first and see if Recasting AKA/Reamortization is right for you