



ABOUT
"Cash due from borrower"
OR
"Cash needed to close this loan"
(A short tutorial - for information purposes only)



Typically, the only reason you would be required to contribute cash to close a refinance transaction is because you decided at the start not to include the "**Prepays**" in the new loan amount, thereby reducing your new mortgage payments. There are several reasons cash is required to close a refinance transaction; it's all a matter of accounting - I know...our favorite subject. From the new loan amount, three items are subtracted to determine whether cash is paid to you or we are "short to close" and cash is required from you:

- A) Payoff old lenders' balances and "early payoff fees" or "pre-payment fees"
- B) Closing Costs - There is almost ALWAYS enough new loan balance to accommodate items A&B.
- C) "**Prepays**" or non-transaction costs that you pay anyway, refinancing or not:

1) **Your fire insurance:** a lender wants at least 6-12 months of insurance "paid up" when the loan closes. If you don't have that much already paid for, they'll require a bit more to be paid in advance or "prepaid."

2) **Property Taxes:** If we are closing the loan between Feb 1st - April 10th or Nov 1st - Dec 10th, the new lender will want to see that the property taxes due that season are paid before or during closing.

On your new loan if you have opted for an "escrow impound account" for property taxes, the new lender will collect enough taxes up front and perhaps more taxes from any new loan payments made and then pay the taxes around March 1st or Nov 1st. They will still want 1-2 mos. worth in "reserves" in the account after they have paid the taxes.

If you already have an "impound" account with your current loan and we cannot verify before closing that your lender has paid your taxes yet (usually in Feb-March or Nov.), you will need to pay these taxes to close the loan, then enjoy a substantial refund from the lender that was paid off, after closing.

