Claude Loan

Free guide, October 2026 edition

# Refinance Break-Even Worksheet (2026)

How many months a refinance takes to pay for itself on your numbers, without the traps that make a lower payment cost more.

- Your current loan and the offer, line by line
- The basic break-even, with an illustrative example
- The restart-the-clock comparison
- No-closing-cost offers: when the higher rate wins
- Cash-out checks and your right to cancel
- A before-you-sign list

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Free online: the latest edition of this guide and the plain-English guides behind it are at claude-loan.com/free-guides/refinance-break-even-worksheet/.

INTRODUCTION

# How to use this guide

This worksheet answers one question with your own numbers: how many months a refinance takes to pay back what it costs, and whether you will keep the loan longer than that. It covers the plain break-even, the trap of restarting a 30-year clock, the no-closing-cost option, and the extra checks for a cash-out refinance.

How to use it: have your latest mortgage statement and the refinance Loan Estimate next to you. Fill in chapter 2 first; every other chapter reuses those numbers. All the examples are illustrative: the rates in them are not offers and not a forecast.

The rules quoted are those of Regulation Z in force in October 2026 (12 CFR 1026) and the Fannie Mae Selling Guide. Section numbers are given so you can read the official text.

> **Important:** Claude Loan is an information publisher, not a lender or broker. We do not quote rates. A refinance can raise your total cost even when it lowers your payment; this worksheet helps you see it, it does not tell you what to do. For free one-to-one help, contact a HUD-approved housing counselor.

PART 1

# Your current loan and the offer

## From your current mortgage statement

| Line | Your number |
|---|---|
| Current balance | |
| Interest rate | |
| Monthly principal and interest (not taxes or insurance) | |
| Months already paid | |
| Months left on the original term | |
| Monthly mortgage insurance, if any | |
| Prepayment penalty? (check your note) | |

## From the refinance Loan Estimate

| Line | Your number |
|---|---|
| New loan amount | |
| New interest rate | |
| New term (months) | |
| New monthly principal and interest | |
| New monthly mortgage insurance, if any | |
| Total closing costs (section J) | |
| Closing costs paid in cash | |
| Closing costs added to the loan | |
| Lender credits | |

PART 2

# The basic break-even

**Break-even months = total closing costs ÷ monthly savings.** If you will keep the loan longer than that, the refinance pays for itself; if you might sell or refinance again sooner, it may not.

| Step | Your number |
|---|---|
| Current principal and interest + mortgage insurance | |
| New principal and interest + mortgage insurance | |
| Monthly savings (line 1 minus line 2) | |
| Total closing costs | |
| Break-even in months (costs ÷ savings) | |
| Months you expect to keep the new loan | |
| Keep longer than break-even? | |

## An illustrative example

Illustrative numbers only. A $350,000 balance on a 30-year loan at 7.25% has a principal and interest payment of about $2,388. Refinanced at an illustrative 6.25% for $7,000 of closing costs, the payment on $350,000 over 30 years is about $2,155: savings of about $233 a month, and a break-even of about 30 months.

| | Current | New (illustrative) |
|---|---|---|
| Rate | 7.25% | 6.25% |
| Balance | $350,000 | $350,000 |
| Principal and interest | $2,388 | $2,155 |
| Monthly savings | | $233 |
| Closing costs | | $7,000 |
| Break-even | | about 30 months |

PART 3

# Do not restart the clock by accident

A lower payment can come from spreading the same balance over more years, not from a better rate. If you are five years into a 30-year loan and refinance into a new 30-year loan, you add five years of payments.

| Comparison | Keep current loan | Refinance |
|---|---|---|
| Monthly principal and interest | | |
| Months left to pay | | |
| Total of remaining payments (payment × months) | | |
| Plus closing costs | — | |
| Total cost to pay off | | |

Two ways to compare fairly:

1. Ask the lender for a Loan Estimate with a term close to the years you have left (many lenders offer terms other than 15 and 30 years; ask).
2. Or take the longer term but keep paying your old payment amount; write the payoff date the lender's amortization schedule shows for that payment.

| Option | Payoff date | Total paid |
|---|---|---|
| Keep current loan | | |
| Refinance, new full term | | |
| Refinance, shorter term | | |
| Refinance, full term but old payment amount | | |

PART 4

# No-closing-cost offers

A "no-closing-cost" refinance usually means the lender gives you a credit that pays the costs in exchange for a higher rate. Get both versions from the same lender on the same day and compare them.

| | Pay the costs | Lender credit covers them |
|---|---|---|
| Interest rate | | |
| Monthly principal and interest | | |
| Cash you pay at closing | | |
| Extra monthly cost of the higher rate | | |
| Months until the higher rate costs more than the costs you avoided | | |

If you will keep the loan longer than the last line, paying the costs is cheaper. If not, the credit may be the better trade.

PART 5

# Cash-out refinance: extra checks

A cash-out refinance replaces your whole mortgage, so its rate applies to the entire balance, not just the cash you take.

## Fannie Mae eligibility points to ask about

The Fannie Mae Selling Guide sets conditions for cash-out refinances, including these (B2-1.3-03):

- If an existing first mortgage is paid off, it must be at least 12 months old at the time of refinance, measured from note date to note date (with exceptions for subordinate liens and buying out a co-owner).
- At least one borrower must have been on title for at least six months before the new loan is disbursed (with exceptions).
- A property that was listed for sale must be taken off the market on or before the disbursement date.

## Blended cost: is a second lien cheaper?

| Line | Cash-out refinance | Keep first mortgage + HELOC or home equity loan |
|---|---|---|
| Amount on the first mortgage | | |
| Rate on the first mortgage | | |
| Amount of new cash | | |
| Rate on the new cash | | |
| Total monthly payment | | |
| Closing costs | | |
| Cost over the years you expect to keep it | | |

Our free HELOC vs Cash-Out Refinance Decision Sheet goes through this comparison in detail.

## Your right to cancel

For most refinances of your principal home with a new lender, you have until midnight of the third business day after closing (or after you receive the required notice and disclosures, whichever is last) to cancel; a refinance by the same lender is exempt, except to the extent the new amount financed exceeds the unpaid principal balance, any earned unpaid finance charge and the costs of the refinancing (12 CFR 1026.23).

| | Date |
|---|---|
| Closing date | |

| | Date |
|---|---|
| Last day to cancel | |

PART 6

# Before you sign

- [ ] Break-even shorter than the time I expect to keep the loan
- [ ] Total cost compared on the same remaining term
- [ ] Prepayment penalty on the current loan checked
- [ ] Mortgage insurance on the new loan understood (and when it ends)
- [ ] Closing Disclosure compared with the Loan Estimate (our free Closing Costs Worksheet)
- [ ] Rate lock confirmation in writing, with its expiration date

NOTES

## Sources and notes

Every rule in this guide is quoted with its source as in force on the date of this edition, so you can read the official text yourself. The main sources are:

- eCFR, 12 CFR 1026.23, right of rescission: https://www.ecfr.gov/current/title-12/chapter-X/part-1026/subpart-C/section-1026.23
- Fannie Mae Selling Guide B2-1.3-03, cash-out refinance transactions: https://selling-guide.fanniemae.com/sel/b2-1.3-03/cash-out-refinance-transactions
- Freddie Mac, Primary Mortgage Market Survey: https://www.freddiemac.com/pmms

Numbers in worked examples are either taken from those sources or are assumptions stated as illustrative to show the arithmetic; illustrative interest rates are not offers. No testimonial, review or result in this guide is invented.

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Corrections and questions: mail@noreply.claude-loan.com.