



Despite Record Low Rates, Less Than 1 in 5 With Pre-Pandemic Mortgages Have Refinanced

38% with a mortgage don't know their current rate, including 54% of millennials

NEW YORK – August 18, 2021 – Despite record low interest rates, just 19% of homeowners with a mortgage that they had prior to the pandemic have refinanced since the start of the outbreak, according to a new Bankrate.com report. Furthermore, 38% of homeowners with a mortgage do not know their current interest rate, making it impossible for them to know if they could benefit from refinancing. Click here for more information:

<https://www.bankrate.com/mortgages/mortgage-rate-refinancing-survey-august-2021/>

Meanwhile, almost half (47%) with pre-pandemic mortgages haven't even considered refinancing, and more than a quarter (27%) have considered refinancing but haven't done it. Curiously, 7% don't know if they'd refinanced or not.

Of those who haven't refinanced, 32% believe it wouldn't save them enough money, 27% point to high closing costs/fees, 23% think there is too much paperwork/hassle, 14% plan to move or pay off the loan soon, 12% cite credit score issues, 9% wouldn't qualify due to unemployment or reduced income, and 4% owe more than their home is worth. Twelve percent cite some other issue and 12% don't know the reason.

“The overwhelming majority of mortgage borrowers have not yet refinanced, despite record low rates over the past year,” said Bankrate.com chief financial analyst Greg McBride, CFA. “Cutting the monthly mortgage payment by \$150 or \$250, possibly more, can create valuable breathing room in the household budget at a time when so many other costs are on the rise.

“The most cited reasons for not refinancing might not hold up in this environment of ultra-low rates. Reducing your payments with no out-of-pocket cash by rolling the costs into the loan are one way to trim the biggest household expense without compromising your savings account.”

For example, a 30-year loan for \$300,000 at 4% would cost \$1,432 per month. Refinancing to 3% would cut it to \$1,265, reducing the payments by \$167 per month or \$2,004 per year (source: [Bankrate Refinance Calculator](#)).

A key to determining if refinancing could offer a money-saving opportunity, 38% of homeowners with a mortgage do not know their interest rate, including 54% of millennials (ages 25-40). Of those that do, the median rate being paid is 3.57% and the average is 4.57%, both well above current levels that can be refinanced for significant savings. Forty-six percent of total borrowers have a rate of 3% or more, making them likely candidates to refinance at lower rates.

As for what mortgage holders view as good reasons to tap into their home equity via a cash out refinance, home improvements or repairs (60%) and debt consolidation (44%) are the runaway leaders. Other reasons cited less often include keeping up with regular household bills (19%), paying tuition or other education expenses (19%), other investments (16%), and vacations and/or big ticket non-essential items like electronics or a boat (10%).

Troublingly, 21% of millennial borrowers think vacations and/or big ticket non-essential items represent good reasons to tap into home equity. In addition, millennials have a higher likelihood of viewing home equity as a way to keep up with household bills (28%, compared to 17% of Gen X, ages 41-56, and 14% of baby boomers, ages 57-75) or to make other investments (26%, compared to 17% of Gen X and 10% of baby boomers).

It isn't all bad for millennials, however; 28% with pre-pandemic mortgages refinanced during the coronavirus outbreak, more than their counterparts in Gen X (17%) or baby boomers (17%).

Those with incomes of \$50,000 or more are also nearly twice as likely to have refinanced (24%) compared to those with household incomes below \$50,000 (13%).

Methodology:

Bankrate.com commissioned YouGov Plc to conduct the survey. All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 3,657 adults, including 1,041 with a mortgage. Fieldwork was undertaken from July 26-29, 2021. The survey was carried out online and meets rigorous quality standards. It employed a non-probability-based sample using both quotas upfront during collection and then a weighting scheme on the back end designed and proven to provide nationally representative results.

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