Homeowner Wealth & Mortgage Optimization Playbook

Recast vs. Refinance vs. Investing decision matrix, break-even math & servicer script.

THE 4-WAY HOMEOWNER LUMP-SUM DECISION MATRIX

Refi Break-Even (Months) = Total Closing Costs / Monthly Payment Savings
Compare guaranteed interest saved from mortgage paydown vs. 7%+ expected index fund compounding.

* **Option 1: Mortgage Recast (Best for Monthly Cash Flow Relief with a Low Fixed Rate)**
  Pay a lump sum ($5k to $10k+ minimum) plus a flat ~$250 bank fee. Your lender re-amortizes the smaller balance over your remaining term at your exact current rate, immediately lowering your monthly bill.

* **Option 2: Full Refinance (Best Only When Market Rates Drop 0.75%+ Below Current Rate)**
  Originates a brand-new replacement loan. Requires credit underwriting, appraisal, and 2% to 4% in closing costs. Never refinance a 3% to 4.5% legacy mortgage into a higher rate just to lower payments.

* **Option 3: Invest Surplus in Index Funds (Best for Long-Term Net Worth when Mortgage < 6%)**
  Keep your low-rate mortgage untouched and deploy the lump sum into broad market ETFs (VOO/VTI). Captures the positive return spread while preserving 100% cash liquidity outside of home drywall.

MORTGAGE RECAST ELIGIBILITY & SERVICER GUIDELINES

* **Conventional Loans (Fannie Mae & Freddie Mac Conforming):**
  Eligible at almost all major servicers (Chase, Wells Fargo, Bank of America, Mr. Cooper, PennyMac). Typical minimum principal curtailment is $5,000 to $10,000 (or 10% of balance) with a $150 to $500 administrative fee.

* **Government-Backed Loans (FHA, VA, and USDA Mortgages):**
  Strictly ineligible for standard mortgage recasting. Making a lump-sum principal payment on an FHA or VA loan will shorten your payoff timeline and save interest, but your required monthly bill will not drop.

* **Extra Principal Curtailment Without Recasting:**
  Free on all residential loans with zero prepayment penalties. Keeps your monthly bill identical while shaving years off the back end of your amortization schedule and saving tens of thousands in interest.

STEP-BY-STEP RECAST REQUEST & EXECUTION CHECKLIST

- [x] **Step 1: Call Your Servicer and Request the 'Recast Department'**
  Do not send a large lump sum blindly via the online portal first; many servicers require an approved recast application before the funds arrive.

- [x] **Step 2: Verify Minimum Lump-Sum Threshold & Admin Fee**
  Confirm your servicer's exact minimum curtailment ($5,000 or $10,000), administrative fee ($0 to $500), and whether certified funds or wire transfer are required.

- [x] **Step 3: Submit the Written Recast Agreement Form**
  Sign and return the servicer's re-amortization agreement specifying the exact dollar amount of principal curtailment and target effective billing cycle.

- [x] **Step 4: Request PMI Removal simultaneously (If LTV Hits 80%)**
  If your lump-sum payment pushes your Loan-to-Value (LTV) ratio to 80% or lower, submit a written request to cancel Private Mortgage Insurance (PMI) at the same time.

- [x] **Step 5: Continue Paying Current Monthly Bill Until Confirmed**
  Recast processing takes 30 to 45 days. Keep paying your original scheduled monthly amount until your billing statement officially reflects the new lower payment.