



ALPHA MORTGAGE  
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Menu



# Mortgage Renewal vs. Mortgage Refinance - Which One is Best

Making decisions about your mortgage might be challenging. Regardless of which option you choose either renewal or refinance, it will assist you in making your mortgage payments differently. The terms “refinance” and “renewal” sounds interchangeable in the mortgage, but they refer to two different processes.

Your agreement with a lender when you obtain a mortgage is valid for a predetermined amount of time. This period is known as mortgage term, which might be for a few months, 5 years, or more.

In Canada, loan tenure is generally for 15-30 years, called amortization but borrowers generally do not pay off their mortgage over the initial mortgage terms.

This results in either – [Mortgage renewal or Mortgage refinance](#).

This article serves the difference so that you will be prepared to make the best choice for you when the time arises.





## Mortgage Renewal

Renewing your mortgage entails staying with your existing lender for another term. You won't need to reapply, and you will have the chance to negotiate your interest rate and duration.

There is nothing wrong with renewing your mortgage and keeping most things the same. You are getting an opportunity to revise the terms. Keep in mind that the renewal of your loan is ultimately a negotiable discussion between you and your lender. Throughout the loan tenure, homeowners will have the option of [renewing their mortgage](#) multiple times

## Mortgage refinance

Refinancing implies a complete termination of your current contract and substitution of a new one. The remaining balance on your present loan is paid off with this new loan, possibly from the same lender or another one. Since the new mortgage is a new contract, its conditions may be completely different.

You have a lot more options with a refinance than a renewal. You might even get better terms that weren't accessible in renewal and rework your mortgage to better suit your needs.

There are several reasons for refinancing:

- To shorten the mortgage term
- To get more affordable interest rates
- Lower monthly payments
- Convert from adjustable-rate mortgage(ARM) to fixed-rate mortgage(FRM) and vice – versa.

## How these two are different

- The cost is one of the main differences between mortgage renewal and mortgage refinancing. Refinancing will typically result in greater savings on interest costs.
- The other main difference indicates that you're taking out a new mortgage to pay off your mortgage loan with refinancing. With a mortgage renewal, you are simply resolving your current loan with the same lender.
- Another way they contrast is how they affect your **home value**. The market value of your home won't be impacted by a mortgage renewal because it doesn't erase any loans or add any new ones; it just modifies the conditions of an existing one.
- To change anything besides your mortgage interest rate, you will also need to refinance. Even while it might cost more and take longer, if done properly, the benefits might exceed the downsides.
- Renew keeps you paying your current mortgage, whereas mortgage refinance provides you to take out a larger loan.

## When can I do it?

**Renew** – Only at the end of the mortgage term do renewals take place. The lender has to notify four months prior before the end of the mortgage term.

**Refinance** – You can refinance your mortgage whenever you like, but there might be fees if it is not close to the period when it is up for renewal.

## How does it work?

**Renew** – You extend your current mortgage under the same conditions, potentially with a new interest rate.

**Refinance** – If the amount has increased or your financial condition has changed, a new mortgage is

established, and you might need to go through the requalification process.

## What should I do?

**Renew** – When your current mortgage and monthly payments are satisfactory, renew. Check around to see if you can get a better bargain before you renew. Inquire about methods to pay off your mortgage more quickly and interest rates.

**Refinance** -To arrange a new, more reasonable mortgage, you can refinance. Make sure you comprehend the long-term costs associated with this choice.

## Which one is the better option:

Renewal or refinancing your mortgage?

The best alternative for you to choose between the two will depend on your particular circumstances.

If you have a low monthly payment, high-interest rates, and an excellent credit score, mortgage refinancing is often a good bet. Refinancing might help you reduce your home's interest bills and increase its appeal to potential purchasers.

Refinancing might not be the greatest option, though, if the value of your house has significantly dropped recently. Instead of refinancing your house at a higher interest rate, you might be able to increase its value by renewing it at a lower rate.

When in doubt, always connect with your lender or [mortgage broker](#) who can guide you toward the best possible course of action.



Alpha Mortgage House Corporation is a [Mortgage Broker](#) in Surrey, BC. We provide mortgages for Home Purchases, Project financing, Second mortgages, Commercial mortgages, Mortgages for first-time home buyers and

more. Alpha Mortgage is a one-stop solution for all your mortgage needs. Our team works with top lenders to provide you with the best financial options.



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## Testimonial

Jaspreet  
Singh

We recently contacted Sukh Bhatti to refinance our home in Surrey BC, and he was so genuine and helpful. Sukh is very professional and was responsive throughout the entire paperwork process. We will surely recommend Alpha Mortgage and Sukh Bhatti to our friends and relatives in the future.

**Jaspreet  
Singh**





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