Refinancing

Refinancing refers to obtaining a secured loan to pay off an existing loan secured by the same assets. Since both loans are secured with the same assets, repayment is immediate and the loan amount cannot be used for other purposes, unless there is cash remaining after the previous loan is cancelled. The new loan can be obtained at either the same lending institution or at another.

There are a number of reasons why refinancing may be undertaken; to reduce interest costs by financing at a lower interest rate, to extend the length of the loan term, to reduce risk, to reduce monthly payments, to convert an adjustable rate into a fixed rate or to make home improvements. Types:Cash-out refinance: This option offers refinancing with a larger loan amount than your current loan and keeping the cash difference. The cash can then be used for home improvements or even credit card or other debt consolidation.HELOC: Home Equity Line of Credit. This is a revolving line of credit where you only pay for what you use. It is typically used for home improvements and to pay down debt. Rate Term: This option is used to lower the interest rate and payments on your existing mortgage.