



Refinancing

1. What is Refinancing?

Refinancing a loan means changing the original terms to better suit your needs. Reorganizing the terms of a loan can result in a lower interest rate or lower monthly payments over a longer period for the borrower.

2. Reasons to Refinance a Loan

Over the term of a loan, many things can change. You may be able to get lower interest rates with your lender or through another financial institution. You might need to lower your monthly payment or to free up money for a new development in your life. Refinancing can give you the freedom to reorganize your finances and keep your credit healthy.

3. What Kinds of Loans can be Refinanced?

As long as the borrower has good credit, there can be refinancing options for almost any kind of personal loan. Mortgages, personal loans, and car loans are common examples of loans you can refinance.

You can also get a consolidation loan to pay off higher interest debt, like credit cards, with one payment at lower interest. An extended due date allows you to skip a payment and add the payment at the end while preserving your credit during an emergency.

4. What to Consider with Refinancing

When refinancing your home to pay off debts, remember this also reduces the equity in your home, which could be an issue in the future if the value of your home declines.

We recommend getting a copy of your credit report every year. If you have bruised credit, you may not qualify for refinancing or consolidation loans and may want to focus on repairing your credit instead.





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5. Fees and Penalties

When it comes to refinancing, do your homework. While you may be able to get a lower interest rate or different monthly payments, some lenders have early repayment penalties or administrative fees that cancel out the benefits of refinancing your loan.

6. How to Refinance

Don't apply until you know your credit is healthy and refinancing is the right option. The first thing lenders will do is pull up your credit report. Having several creditors check your report can have a negative impact on your credit.

Go to a lender to ask about your options. Banks are direct lenders and may be able to get you a better interest rate than your current loan.

7. Other Options when Refinancing isn't Available

If refinancing isn't an option, Money Mentors can help you restructure your budget to make managing debt obligations easier. Call 1-888-294-0076 for a free Financial Needs Assessment.

