

## Refinancing a Loan: Easy Enough

Anyone who has purchased a home, or looked into mortgage options, has heard of "refinancing". This plan is often advertised as a wonderful way to have more cash at hand, but there are risks and conditions that you need to be aware of. To understand the process of refinancing your home, you need to start with the basics.

"Refinancing" is the act of providing a certain amount of money to an individual in order to buy a home, real estate property, car or other big-ticket purchase. Loans and mortgages are similar types of financing. When the term "refinance" is used, it means that the sum of money borrowed is taking place on an existing loan or mortgage.

**Advantages**Financial analysts often claim that refinancing is a great option for buyers when interest rates are low. The reason for this is simply that refinancing allows borrowers to replace existing mortgages or loans with new agreements at a relatively lower interest rate. Lower interest rates mean lower monthly repayments, and lower monthly payments mean bigger savings for you. Of course, the only time that this works is if the rates are low. When rates are high, refinancing your loan is not advisable.

**Other Benefits**Aside from saving money on your monthly payments, refinancing a loan or mortgage provides greater overall satisfaction. For example, if you feel that the terms of your current loan are unsatisfactory, you can switch to another lender by refinancing your loan. The money that you receive from the new loan is used to pay off the old debt. You will owe the same amount of money but at a lower interest rate, you'll be saving on monthly payments. Refinancing also provides the option of changing to a lending company that offers better services and programs.

Refinancing can also be a good way to consolidate your monthly bills. It can be confusing, time consuming and downright depressing to sort through a mountain of bills each month. A refinancing option can take care of this problem. With a second loan, you'll be able to consolidate all of your debts into one single monthly bill. Aside from reducing the monthly stress of facing all of those bills, your chances of overlooking a bill and forgetting a payment are greatly reduced.

Life can deal some tough lessons. Debts quickly add up, and we can make rash decisions. Refinancing loans at a lower rate, or to consolidate debts, can help us to correct past mistakes and move forward.