Cash May Be Available Through Refinance Loan

For homeowners who have been in their homes for a while, one of the easiest and possibly cheapest ways of getting money out of their house is to refinance their home loan. Depending on the interest rate being offered on home loans, they may also be able to save money on the cost of their loan as well as on the loan's monthly payments.

Many homeowners bought their houses during the boom a few years back when interest rates were lower by agreeing to a fixed rate mortgage for a set number of years. With the loan converting to a variable rate hinging on the prime rate and in recent years when the prime rate went skyward they find themselves struggling to keep up with the payments. In many cases, they have not been able to make the payments and for different reasons have not been able to refinance the mortgage, ending up with the home loan being foreclosed.

Those who are able to refinance, have also been able to realize extra cash by taking the money earned as equity on their home as part of the loan process. Equity in a home is the difference in the appraised value of the property and balance due on the mortgage and in most cases, after about five years it will be a positive number. Those who are able to refinance their home loans are usually able to receive a loan of about 80 percent of the appraised value, using it to pay off the original loan and have cash left over for other uses. Stellar credit reports can sometimes realize a loan of 100 percent of the value.

Unfortunately, not all houses increase in value and houses that may have fallen into disrepair or been heavily damaged by disaster, may not be appraised at an amount equal to the loan balance. This is considered negative equity and obtaining a refinance loan is usually not possible. For a few, their only option is to either attempt to sell the house for less than they owe, or allow it to go into foreclosure and lose everything they have paid to date.

Home refinance plans are available to those with a clean credit history and in addition to the money available through the equity of the home; they can generally see additional savings through a lower interest rate. It is almost always better to obtain a new loan through the company holding the original mortgage as often the loan can go through quicker and the payment history has already been established. By lopping a percent or two off the interest rate, converting to a fixed rate mortgage, the loan payments will also drop saving money on a monthly basis. Be sure to fully understand the terms of your loan and payment information. If you feel you are not getting the best deal, be sure to shop around for better rates. You may find that you can get exactly what you want by comparison shopping.

About the Author

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