

Taking Money Away from a Mortgage Refinance

Has a friend or family member mentioned to you that they were able to pocket some cash and lower their interest rate through mortgage refinance? This sounds too good to be true and you might be wondering exactly how they did this. The fact of the matter is that this is possible and chances are you could do the same thing, if you wanted to. Everyone is always looking to lower their interest rate on their debts and who doesn't want some money to do the things that they need or want to do around the home or even to pay off some other bills?

Cash Out Mortgage Refinance

What your friend or family member was probably talking about when they were telling you about your mortgage refinance is what is known in the industry as a cash-out refinance. This is a refinance loan like any other; the only difference is that you end up taking money away from the deal instead of just ending up with a better mortgage loan arrangement.

The way that this works is quite simple, though genius at the same time. When you refinance with a cash out mortgage refinance loan you are basically refinancing for more than you currently owe on the balance of the loan. So, say you owe \$100,000 on a loan and you need \$10,000 to repair your home or consolidate debts. What you would do is refinance the loan for \$110,000 and you would take the \$10,000 and do with it as you had planned. You would pay on the \$110,000 just like you would if this is what was still owed on the home.

Many people choose the cash out mortgage refinance because it allows for them to get the cash they need to do things that they want or need to do. There are no stipulations as to what you can or cannot do with the money and you don't even have to specify what you plan to do with the money. Most people choose to do this after doing some research and finding that you can often get a better interest rate doing this than you can if you take out a home equity loan or personal loan.

If you are trying to consolidate debt, this is a great option because you can be paying six percent interest on a mortgage refinance loan of this nature instead of 20% or more on credit cards or some other type of debt. Many people find that this is simply the most affordable way to consolidate debt or get things done because you just cannot beat the interest rate.

When you get one of these loans you may still be able to lower your monthly payment or keep it about the same. The idea should always be to lower your interest rate, even if the goal of the refinance is to get cash back. When you do this, you will get the money that you need in addition to keeping your monthly mortgage payment very affordable. This type of loan is relatively easy to get, though you may have a hard time if you don't have good to excellent credit or if you don't have a good track record of paying your mortgage on time. This is definitely something that is worth looking into.

About the Author

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