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# The Ins and Outs of a Bad Credit Refinance Loan

Having "bad credit" these days can often limit your financial opportunities. Fortunately, when it comes to refinance loans, there are programs created specifically to help those with poor credit. These are sometimes called bad credit refinance loans.

Refinancing has been a popular loan option for over a decade now. It is a type of loan that allows homeowners to pay off their existing loan with a new, and sometimes larger, loan. The extra funds can be pulled out as cash for things like debt consolidation or home improvements. Often people like to refinance simply to get a new loan with a lower interest rate.

If you could really use some money for lowering your debt load or make necessary repairs or upgrades to your home, a bad credit refinance loan may be right for you. There are several things you should know about refinancing with poor credit though. You will not get and should not expect to get the same deal on such a loan as someone with a great credit history. You will have to pay more because your credit history makes you a greater risk to lenders. A bad credit refinance loan will typically come with a higher cost in closing fees. You will also typically have to pay more in points, even 3-5 more than a good-credit borrower would have to pay.

The most common difference between normal refinances and bad credit refinance loans is the interest rate. Rates will generally range 2-6% higher for borrowers with bad credit. However, if you are refinancing to consolidate several hefty debts with interest rates around 20% or higher, the 8-12% rate on your new loan will probably look pretty good. Plus, even though the interest rate is higher than you would receive if you had good credit, the payments will be spread out over 30 years and will likely be smaller than the total monthly debt payments you'd have to pay otherwise with many smaller debts.

Don't forget the great tax benefits of refinancing. The interest on your bad credit refinance loan will be tax deductible, whereas interest on any credit cards or car loans will not be.

When you are ready to apply for a refinance loan, you should first take a look at your credit to see how bad it really is. If there are any errors on your credit report, you should try to resolve them immediately with a credit agency, as this could significantly improve your score. Another good way to improve your credit is to make all your mortgage payments on time. This may take up to two years of punctual payments though to see a real change, so you'll have to weigh the costs and benefits of taking the time to repair your score.

Finding the right lender is also important. The best way is to find a good one is to ask friends and neighbors for referrals. If you don't find one that way, the next best option is to search online. You can get several refinance mortgage quotes on the Internet in a matter of minutes. You'll be able to find the best deal based on comparison (although you'll have to ask about "hidden fees" like closing costs and points).

Once you have found the right lender, you can start the application process and be on your way to getting a helpful bad credit refinance loan!

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