

BANKING ON YOUR *home*

4 WAYS HOMEOWNERS
CAN USE THEIR EQUITY



Upgrading to a bigger home? Planning to put up a business? Funding someone's education? Whatever your plans are, if it involves money, you should probably check in with your finances first. If you are a homeowner and have been paying for your mortgage for a few years now, I'm excited to share with you that you can actually use that to obtain extra funds. This is through tapping into your home equity.

WHAT IS HOME EQUITY AND WHY IS IT IMPORTANT?

Home equity is the difference between your home's current worth and the amount you still owe on your mortgage. For homeowners, home equity is one way of building personal wealth. As your home value increases, the amount of your home equity also grows. But remember that although your property's worth will most likely increase over time, its value may also decline if it's not properly maintained or taken care of.

If you are in need of extra funds, tapping into your home equity can provide you with immediate funds without having to sell your properties or apply for a high-interest loan. This is why it's important to build your home equity. It will become useful should you need extra funds in the future.



4 WAYS HOMEOWNERS CAN USE THEIR EQUITY

- 1 Moving to another home or new location**

You can use your equity to buy another home whether you need to upgrade to a bigger home or to downsize into a smaller one. Likewise, you can also use your equity if you want to relocate to a different area. Whether it's to move for work, to be nearer to family, or to fulfill a lifelong dream, your equity can definitely help you in buying a new home.
- 2 Paying personal debts**

Nothing feels more freeing than being debt-free. If your current goal is to clear all your personal debts, using a portion of your home equity can help you achieve that. By paying off personal debts like credit cards or car loans, you will be able to consolidate those debts at a lower interest rate. Hence, it will help you pay your debts easier. Paying off personal debts is a good start in eventually saving and growing your wealth. If you decide to use your home equity in paying those debts, just make sure to pay them on time as you will be using your house as collateral.
- 3 Starting a new business or growing your current business**

If you have a business idea but need money as capital to get started, using a home equity loan instead of applying for a business loan will help you save money as it will definitely have a lower interest rate. However, keep in mind that like other investments, running a business also has its risks and you would still need to pay what you have borrowed whether or not you get enough returns from your business.
- 4 Funding someone's education**

Preparing for your children's college is a daunting task and can be heavy on your finances. On the other hand, going back to school yourself and pursuing higher education can also cost a lot of money. Using a portion of your growing equity can help you finance you or your loved one's education. Your future, as well as your loved one's future, is also an important investment!

START BUILDING YOUR EQUITY TODAY



- 1 Make a bigger down payment.** The quickest and easiest way to build your equity is to put down a bigger deposit when purchasing your home. Increasing your deposit from 5% of the property value to 10% will instantly give you a bigger equity value.
- 2 Increase your monthly mortgage payment or make additional payments.** Remember that only a portion of your monthly mortgage payment will be allotted to the principal cost of the house. Increasing your monthly mortgage payment or making additional payments that go to your principal cost will help you steadily build your home's equity.
- 3 Refinance and shorten your mortgage loan term.** Shortening your loan term might mean higher monthly payments, but it also means that you'll have lower interest rates and that a bigger portion of your payments will go into building your equity.
- 4 Invest in remodeling or home improvement projects that can increase the value of your home.** By taking up remodeling projects whether it's done by a professional or approached in a DIY way, your home's equity will increase as your home's value increases.
- 5 Just wait for the value of your home to increase in time.** If you don't need to urgently spend your home's equity, you can also just wait as your home's equity increases gradually over time.



Once you've built your home's equity, you might not need to borrow from your bank! Start approaching things the smart way by financing your expenses with your home equity. Once you've built enough equity, you'll start saving and growing your money.

For more real estate tips or for a more in-depth consultation, feel free to call me at 604.314.2309, send me an email at jessica.bansal@exprealty.com, or schedule a visit to chat!

