Title:
Anatomy of a Home Equity Loan

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Summary:
Home Equity Loans have quickly grown to become one of the greatest and most popular loan types in the world today.

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Introduction

Home Equity Loans have quickly grown to become one of the greatest and most popular loan types in the world today. The idea that a person that is a home owner can go ahead and get a loan taken out on their home in order to deal with any emergency situations that might crop up is something that allows a lot of people to rest easy at night and ultimately the people that are able to rest easy are going to have lower stress levels and a better all around existence specifically because of the presence of the option of the home equity loan in their lives. Now, home equity loans are quite good and what is even better is being able to understand the anatomy of a home equity loan and exactly how it shakes out in a number of different areas.

Interest Rates

One of the biggest questions that people usually have regarding home equity loans is the question of interest rates. When you take a look at the different interest rates that are available and indeed you take a look at the interest rates for other types of loans in comparison to the home equity loan, what you immediately find is that the people that are interested in getting the home equity loan for themselves pay a much lower interest rate on average than people that are involved in other loans. This is because home equity loans have been created from a structural point of view to resemble mortgages. The average mortgage has an interest rate between 5% and 7% annually and when you look at the average home equity loan, you find the same thing is true as well.

Monthly Repayment Amounts

When you look at the different monthly repayment amounts for the different loans available on the market today, you tend to the see the exact same thing when comparing them to home equity loans that you did with the interest rates. Namely that home equity loans usually tend to be on average 10-20% lower per month in terms of the monthly repayment amounts. This is because of the presence of strong collateral (property is the strongest collateral imaginable in a free market society) as well as the longer term lengths when it comes right down to the actual loan deal itself.

Fees

Now, home equity loans, just like mortgages, sometimes carry a fee schedule with them. The fee schedule is an idea that financial institutions to a large degree have borrowed from credit cards, because for the longest time mortgages were not as restrictive as they are in today’s world. When you take a look at the mortgages and home equity loans in today’s society, what you eventually see is that the fees tend to revolve around things like late payments, underpayments and even overpayments in certain agreements. Either way, the fees are not really a big part of most loan agreements, but it is worth mentioning that they might be there for full disclosure.