

## Title:

6 Questions to Ask When Choosing a Home Equity Loan

## Word Count:

545

## Summary:

So you need some money for unexpected expenses. The roof took on a leak, the deck rotted through and a new family addition tightened living space.

## Keywords:

finance, loan, dept, home, consolidation

## Article Body:

So you need some money for unexpected expenses. The roof took on a leak, the deck rotted through and a new family addition tightened living space. You bought too much Christmas on credit now the bills are overwhelming. Junior got accepted to that Ivy League school. Tapping into your home equity can help ease your financial burden. Before deciding on borrowing ask yourself a few questions first.

1. Do I need a home equity loan or a home equity line of credit?

If interest rates are low, a loan is a smarter choice. You can borrow the full amount at once and get a fixed rate on the entire amount. The advantage allows you to know how much to budget for monthly payments.

On the other hand, a line of credit will let you borrow from a revolving line of credit with variable interest rates. You access the money just like a checking account by writing a check for the purchase. Then the amount used is paid back. If the rates fluctuate, your payments will also.

2. Are there restrictions on how I use the borrowed money?

Most loans and lines of credit can be used for a variety of things. Whether you want to consolidate all your debts into one, do some home improvements or pay for college tuition, an equity loan or line of credit can be the answer.

Be sure to ask yourself if you can afford the extra payments. Is your budget flexible enough? Will adding another payment won't over-extend a tight budget?

3. How do I find the best interest rate?

Your best bet to determine the variety of interest rates offered by financial services companies is to shop around. Ask questions. Try to find a company your comfortable doing business with. Look for ones that don't charge application fees. Ask about charging a penalty for early payoff.

4. What is the term of the loan? Is it better to get a 5- 10- or 15 year term?

You'll want to determine what your financial future strategy is when deciding on the term of the loan. If you're planning to retire soon, you may want to ask for a shorter term. The longer your loan terms, the lower your monthly payments.

5. Are there any tax advantages to borrowing with a home equity loan?

There are many good tax advantages to home equity loans and lines of credit. The interest is tax deductible on your federal income tax. Be sure to consult your tax advisor before applying for a loan to be certain of the deductions.

6. Is the loan application lengthy and how long before I get an answer?

More and more lenders are allowing consumers to apply for loans over the phone or on the Internet. It can take as little as 10 minutes for the application process. And many pre-approvals can be delivered in a few hours. Final approval often takes anywhere from 5 - 10 days while evaluating your house is taking place. Often the entire process can be completed without leaving your home with final documents and checks being sent through the mail.

Tapping into your home equity to ease financial burdens can be a good idea. Do your homework. Shop around. Set up your budget. Use the money for what you need.