Title:
Debt Consolidation Loan For A Home Owner - 3 Things To Consider

Word Count:
367

Summary:
If you want to consolidate your debt--and you own your own home--you're in luck! If you're willing to use your house as collateral, you have a lot of low-cost options for debt consolidation. Here are three loans to consider:

Second mortgage

A second mortgage is, essentially, another mortgage on a home that already carries a mortgage loan. The second mortgage takes a backseat to the first one, so it's a bit riskier for lenders. Because of this additional risk, second mor...

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Article Body:
If you want to consolidate your debt--and you own your own home--you're in luck! If you're willing to use your house as collateral, you have a lot of low-cost options for debt consolidation. Here are three loans to consider:

Second mortgage

A second mortgage is, essentially, another mortgage on a home that already carries a mortgage loan. The second mortgage takes a backseat to the first one, so it's a bit riskier for lenders. Because of this additional risk, second mortgages usually carry shorter terms and higher interest rates. However, you can use the money you borrow from a second mortgage to consolidate your debt into one payment. And even though the interest rate is typically higher than your first mortgage, it's usually still lower than the average credit card or personal loan rate.

Home Equity Loan

A home equity loan borrows a lump sum of money from the equity in your house--the value of your home minus the amount you currently owe on it. For example, if your house is valued at $250,000, and you currently owe $200,000 on your mortgage, you have $50,000 in equity that you can borrow. That means you can get a lump sum totaling $50,000, which you can then use to pay off other debts. In general, home equity loan rates tend to be low, and in many cases they are tax deductible.

Home Equity Line-of-Credit

A Home Equity Line Of Credit--also known as HELOC--is a type of revolving loan. Like a Home Equity Loan, you are borrowing from the equity in your home. However, unlike a Home Equity Loan, you don't get a lump sum of cash. Instead, as a line of credit, you can draw on it any time for any amount (up to your limited maximum). HELOCs, in general, tend to have lower interest rates than Home Equity Loans.

Although borrowing a second mortgage or using the equity in your home can be a simple and low-cost way to consolidate your debt, it's important to remember that, in all these cases, your home is the collateral for the loan. So before you borrow against your home, be certain you will be able to make your monthly payments.