

Title:

Home Equity Loans Have To Be Carefully Sought

Word Count:

499

Summary:

The equity of a home is used as collateral when the borrower takes a home equity loan. The loan of course will be created against the borrower's house.

Keywords:

finance, loan, dept, home, consolidation

Article Body:

The equity of a home is used as collateral when the borrower takes a home equity loan. The loan of course will be created against the borrower's house. The loan amount can be used for various reasons, they can be used for the renovation of the house or medical emergencies. There are two types of home equity loans.

They are the open ends and the closed ends. The companies lending these loans will be particular about the credit history, and many of them will ask for excellent history. Quite often these loans are called as mortgages, as they are issued on the home similar to the regular mortgage. These loans are most of the time taken for shorter periods compared to the mortgages.

The closed end equity home loan will be issued at the time of closing depending on various factors. They will include the value of the home, the credit history of the borrower, and also his income, to ensure he is capable of repaying the loan. The loans are sometimes offered at 100 percent of the home value, and some borrowers may take the loan for a long period of time.

There are systems that allow the over equity loans, where the borrower is allowed to take money more than the appraised value of the home. The open end equity loan allows the borrower to decide when he needs to borrow the credit, against the equity of the property. This type of equity home loan can be issued for about the full amount of the home value.

The second type of equity loan also enables the borrower to pay back the amount over a longer period of time. As with the mortgage process, there will be various fees to be paid towards the lender. There will be the legal fees, the valuation of property fees and many more. The borrower need not just pay the

amount, he may question the lender about the fees to be paid.

Since there are many financial institutions lending equity home loans, comparison of the loans is a must. There are online services that help the borrower compare rates from all the different lenders, so that they can take a decision. There will also be professionals who will help the individual decide about the firm they are going to choose.

The type of equity home loan of course can be decided based upon the needs of the borrower. If the need is great he can go in for a longer repayment period. The loans are based on second trust needs. There will be options for the interest to be paid too. Some companies may deduct the interest from the person's personal income taxes.

If there is a situation where the borrower needs to pay a lump sum of money, he may choose to refinance the equity home loan. Either this or he can also make the minimum payment due to the bank. Either way, he will have options for the payments.