Title:
Using the Equity in Your Home For Home Improvements

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541

Summary:
Is it time for a new roof and updated windows? Do the kids need more space? Is the garage overrun with stuff with no room for the cars?

Keywords:
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Article Body:
Is it time for a new roof and updated windows? Do the kids need more space? Is the garage overrun with stuff with no room for the cars?

You’re going to need some money to get these projects done, whether you decide to hire a contractor or do it yourself. Consumers should look closely at the financing options before jumping into a loan. Ask yourself some questions when approaching a home improvement loan.

Ask yourself these questions:

How long is the whole job going to take?

What is the total cost of everything?

Will I need more money for anything else beyond the home improvements?

For small jobs, less than say $500, using a credit card is probably the best options. The interest rate will most likely be higher than other financing options, but there won’t be any extra paperwork and appraisals.

Using the equity you have in your home is a low cost way to finance your home improvements. The equity is just sitting there waiting for you to sell your home.

Many banks over home-improvement loans made for low-to-moderate income families, whereas your typical home-equity loan offers a better rate structure. Additionally, the interest payments on a home equity can be deducted on your federal income taxes.

A home equity loan basically is a homeowner borrowing against their house, pledging it as collateral. If you want to borrow a large amount of money or you have poor credit a home equity loan can be attractive.
The lender is often more liberal with a home equity loan since it is viewed as a relatively safe loan. If you default on a home equity loan, you can’t disappear or hide with your house. Your payments are more likely to be a priority if your home is at stake.
Advantages of Home Equity Loans
Home equity loans are attractive for a few reasons:
The interest rate is typically lower.
The qualifications are easier for consumers with bad credit.
Payments on the interest could be tax deductible.
Loan amounts can be relatively large.
Home equity loans are a good investment for you as well. Let’s say you have equity of $25,000 in your home. You take out a home equity loan for $25,000 for a garage addition, new siding and remodel the bath. You have increased the value of your home by improving you home by doing these projects.
Be cautious though, because home equity loans are often offered with variable interest rates. That means they can vary upwards. Fixed rate equity loans are available, but you must specifically ask for them. If interest rates were on the rise, a fixed rate would be a good choice to ask for.
Be sure the deal is best for your interest. Make sure the home equity loan fits your needs better than a credit card account would. Make a budget ahead of time to make sure the extra loan payment won’t overburden you. Consider insurance to cover the payments in case the unforeseen happens.
When deciding on financing your home improvements, be sure to check the different options available to you. If you need a new roof, new windows installed and to replace your deck, the home equity loan is a good option.