Title:
Fixed Rate Home Equity Loan

Word Count:
540

Summary:
The sense of equity generates from the amount judgment of your investment at the time of purchasing or refurnishing a property. As the value of the fixed assets at most of the time matures, so also the equity value of an asset increases. For that reason, the value of your home has increased from the time you have purchased the property. As the owner of the house, now you own a certain property value that if transferred into a liquid form like money, can serve various purposes for you. A fixed rate home equity loan can exactly do this job for you.

Keywords:
home equity, finance

Article Body:
The sense of equity generates from the amount judgment of your investment at the time of purchasing or refurnishing a property. As the value of the fixed assets at most of the time matures, so also the equity value of an asset increases. For that reason, the value of your home has increased from the time you have purchased the property. As the owner of the house, now you own a certain property value that if transferred into a liquid form like money, can serve various purposes for you. A fixed rate home equity loan can exactly do this job for you.

A home equity loan is a kind of loan where you use the equity of your home as the security or collateral of the loan. If you fail to pay off the loan amount, your lender may encroach into your home. The difference between a FRM and a fixed rate home equity loan is that, the second one is generally of a short term period and in many cases a fixed rate home equity loan is considered as tax deductible upon your personal tax returns.

A home equity loan can be of two types -

(i)Standard Home Equity Loan: This is also known as close-end home equity loan, or term loan or a second mortgage installment loan. This type of loan generally comes up with fixed rate.

(ii)Home Equity Line of Credit: This type of loan is also called a revolving credit loan. This generally comes up with an adjustable rate loan.

This difference between a normal home equity loan with fixed interest rate and a home equity line of credit elongates to the point of payment structure. In case of fixed rate home equity loan, you can avail the amount of money for a certain period of time, and you have drawn the entire amount at the time of the closing. But in the second case, the loan amount is available as a series of lien. If you are in a need of urgent fund of large amount, then it is advisable to go for the standard home equity loan with fixed interest rate, rather than home equity line of credit loan.

A fixed rate home equity loan is generally comes up with a tenure period of 15 years. With a reduced amortization, the home equity loans closes with a due balloon payment. This huge payment is advised to avoid by refinancing or by paying above the minimum payment line. The amount of loan depends on many factors like your income, credit history, the appraised value of the collateral etc.

Generally, a fixed rate home equity loan offers you to borrow on the 100% equity value of the home. Sometimes in case of over-equity loans, you can borrow above the equity value of your home. For example, the 125% home equity loan provides you the opportunity to borrow 25% extra amount of money on the equity of your home. Generally, over-equity loans come up with high interest rates.

Fixed rate home equity loan charges you some fees to along with its interest rate. Whenever, you are opting for a fixed rate home equity loan, scan every pros and cons and then choose the best option available to suit your need.