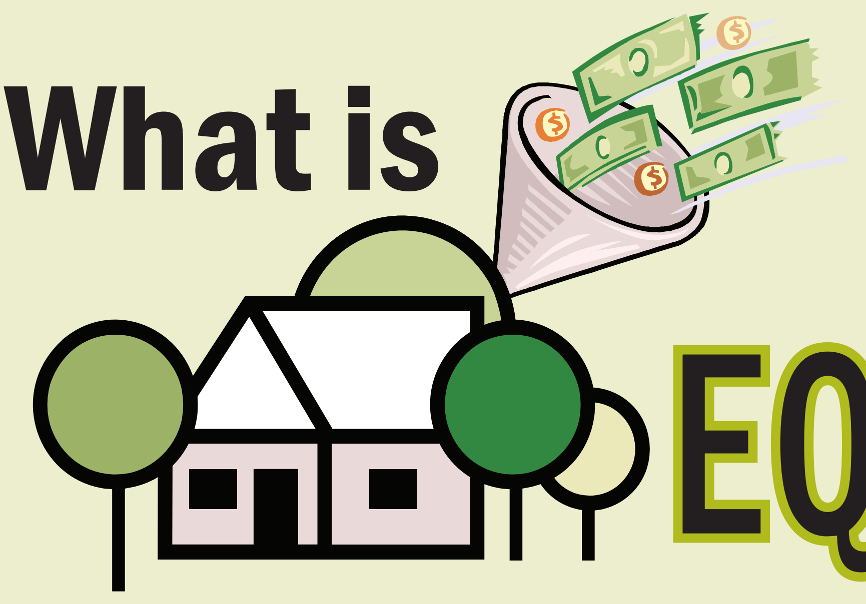
Home Equity 101

What is EQUITY?



Home equity is the difference between your home's fair market value and the outstanding balance of all liens.

Calculating Equity

Market Value → A rough market value can be found at zillow.com*.

× 90%* → *Check with a loan officer for an accurate estimate. Each lender will have their own percentage that they will lend, based on qualifications.

− first mortgage balance

= available equity

If your home is worth $200k x 90% = $180K and you owe $150k, your available equity is $30,000.

Which loan is right for me?

HOME EQUITY LOAN	VS	HOME EQUITY LINE OF CREDIT
Borrow a fixed amount of money		Revolving credit with a limit based on your home equity
Fixed payments of principal and interest		Minimum payments, often interest only initially
Receive one lump-sum from your loan		Draw funds as you need them, typically by check
Fixed Interest Rate		Variable interest rate, usually based on prime
Minimal Fees		Minimal Fees
Interest may be tax deductible*		Interest may be tax deductible*
Provides more stability in payments		Provides more flexibility in using funds
Low interest rates		Low interest rates

* Consult your tax advisor

So, which is better?

A home-equity loan may be best for a one-time goal for which payment will be due in full and which has long-lasting benefits.

A HELOC lets you borrow only the amount you need when you need it. If you're planning a multiyear home improvement project, a HELOC might be best.

Consider your goals, your payment schedule, your spending habits and your risk tolerance

Common Uses

You can use your home's equity for anything you want. They usually get used for life's larger expenses. The most popular uses:

- Remodel, renovate, or property improvements
- Pay for a college education
- Purchase a second home
- Consolidate high-interest debts

Many people use a home equity line of credit for an emergency plan, and don't draw on it unless they need cash.

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