



Home Equity What You Can Do with It

Home Equity

Home equity is the value of your home above the total amount of the liens against your home. For example if you owe \$100,000.00 on your house but it's worth \$145,000.00, you have \$45,000.00 of home equity.

What You Can Do with It

Simple, you can borrow against it! You can either apply for a home equity line of credit (HELOC) - a form of revolving credit – or, obtain a traditional second mortgage. In both scenarios, your home will serve as collateral.

Naturally, you will have to qualify for this loan. The lender will evaluate your ability to repay the loan by looking at you financials. Lenders will approve a specific amount of credit. This amount is generally based on a percentage of your home's appraised value.

For example, if you were to apply for a HELOC using the numbers above, here is how it would look: your home appraises for \$145,000.00 and the lender qualifies you for a line of credit of up to 80% of the home's appraised value or \$116,000.00. Subtract the \$100,000.00 that you owe on your first mortgage and you have \$16,000.00 left, thus your HELOC will be for \$16,000.00.

There are many different home equity plans and they change all the time; do your homework before signing on the dotted line.

A word of Caution

Just as with a first mortgage, you will lose your home if you don't pay back your line of credit. If you were to default on your payments, the lender will start the foreclosure process in an effort to recuperate the outstanding monies owed.

Conclusion

Borrowing against your equity can be a great source of extra capital, just make sure you do so responsibly. Before entering into a commitment, consider how you will pay back the money you are about to borrow.

Good luck!

Dimitri Larno
Licensed Agent
Real Estate Professional
c. 602-524-1487 e. azbigdeal@gmail.com

As an investor himself, as well as a licensed Realtor®, Dimitri has over a decade of real estate experience. Dimitri's specialties include primary residences, second homes, investment properties, commercial properties and land. He has been recognized for being a Multi-million Dollar Producer, and is an accomplished Realtor® committed to superior results for his clients.

"Strive not to be a success but rather to be of value" Albert Einstein