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Using Home Equity Line of Credit for Home Improvements

As you know, a home is one of the best investments you can make in your life. Not only does it provide you with a solid tangible object to improve yourself, it also appreciates with time as the need for homes in the U.S. increases. As you come to the decision to improve the overall value of your home you will need to realize that you need money in order to begin many projects. To get this money you have the option of a Home Equity line of credit, which simply takes the money you have invested in your home and frees it up for future home improvements.

What is a Home Equity Line of Credit?

A home becomes one of the biggest investments in the course of your life. This piece of property has a high value now, and in the future when someone else is on the market for homes. As you pay down your principle you earn more and more parts of your house that previously technically belonged to the mortgage company, although they have no say or control over those parts whatsoever. Once you have paid off your house fully you have a very large amount of money tied up in your investment, this is called equity, which equals the amount of money your house is worth.

Since most people don't own their homes and will not have their houses paid off anytime soon, there is a difference between the value of the house and the amount of principle paid off. This is the amount of equity you have access to. Let's say your house cost 500,000 and you have paid down 100,000 off of the principle, you would be able to borrow up to 100,000 in equity. This enables you to re-borrow 100,000 dollars which then adds to the principle of your loan, or becomes a separate loan payment. The money often can be accessed through a system that works similar to a debit card.

What Can You Use a Home Equity Line of Credit For?

The home equity you have access to can be used in anyway you deem necessary. College tuition and repaying other debts are often good uses of this equity, but the best option involves taking the money and reinvesting it into your house to up the overall resale value of the house. This extra value will help to increase the equity you will have access to in the future.

Home improvements can come in various forms; including additions to the house, finishing off a basement or loft area, refinishing the floors, etc. No matter what projects you want to start, a home equity line of credit can help you out by providing the funds needed to begin.

The Benefits of Home Equity

Home equity enables you to work with a lender you already have experience with and helps you to get the lowest rates possible on the loan. The equity also has the ability to be accessed like cash, freely and easily. Convenience is just one of the fringe benefits.

Additionally when you increase the value of your home you further increase the amount of equity you can take out. This allows you to continuously improve your home further and further until you have a very substantial investment.

Home equity helps to reward the homeowner for the hard work and effort they have put into their home by increasing the amount of cash available to them. This also helps the lender because he makes money off of the interest on the home equity, and knows that the loan will be paid off faster giving him more access to other loans.