

## Second Mortgage Explained

This article seeks to give you a solid knowledge base regarding the subject matter at hand, no matter what your previous experience on the topic.

An individual's home is the biggest asset that one has at his disposal. A home to back you up when you need a loan is one of the greatest advantages of home ownership.

In recent years, there has been a major boom in the amount of people looking to use their homes as a way to get access to extra money when they need it most. One of the best ways to do this is through a second mortgage.

Second mortgage loans are loans that are made in addition to the first mortgage, and it is usually based on the amount of equity that the borrower uses to build into his home.

Usually it's required to fund home renovations. Since the borrower has already been through the process once, the underwriting that is required to get a second mortgage is much simpler than it was the first time around when the borrower had taken the first loan.

If you feel that you haven't learned anything new thus far, there is a whole new realm of information in the rest of this article.

The cost of the transactions involved will be lower when the borrower applies for the loan second time. This usually happens for the fact that interest rates on the second mortgage are a bit higher than they were on the first one. But then, there are some positive points too.

For example, the fact that the interest paid on the loan may be tax deductible. In most cases the interest is 100% fully deductible as long as the combined loan to value of the 1st and 2nd mortgage does not exceed the value of the home.

On a second mortgage, one borrows a fixed sum of money against the home equity, and pays it back after a specific time. The amount borrowed will be combined with the amount the borrower still owes on his first mortgage. But there are a few things that one should keep in mind. First of all, one should not take a second mortgage on his home unless one has made payments on the original mortgage balance for a good amount of time.

One may be able to get a second mortgage if one does not have much equity, but then the loan rates will be much higher, and the amount that one can borrow much lower. It will essentially be a waste of time and money.

A second mortgage is a loan that is secured by the equity in one's home. While obtaining a second mortgage loan the lender places a lien on the borrowers' house. This lien will be recorded in 2nd position after the primary or 1st mortgage lender's lien, hence the term second mortgage.

Second mortgages aren't for everyone. Borrowing more than 80% of the home's value will subject the borrower to private mortgage insurance. The monthly payments should also be a factor. If one refinances in the future, he will have to pay off the 2nd mortgage.

Loan proceeds from a second mortgage loan can be used for just about anything. Many consumers take out 2nd mortgage loans to consolidate debt, do home improvements or pay for their children's college education. Whatever one decides to do with the loan proceeds it is important to remember that if one defaults on their payment then he can lose his home. So one would want to make sure that he is taking the loan out for a worthwhile purpose.

Thus we see that a second home loan can be of great help to the borrowers, although the borrower must take steps to ensure that he does not squander away the advantages of second mortgage.

Share the information that you have learned with your friends and family. They will be impressed by your knowledge and happy to learn something new.

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### About the Author

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