

Home Equity Line of Credit: Key Benefits

Home equity loans are supposed to be a type of second mortgage loans. Money is borrowed against the value of the house. Even though it carries risk, it is worth taking it.

The common type of home equity loan is called as a "closed end" equity loan which allows a certain amount of money based on the value of the house. More money cannot be borrowed on the same equity loan. However, if more money is needed at a later stage another loan can be obtained. Many people prefer a home equity loan to clear off their debts as the money is borrowed against their houses. They get very low interest rate resulting in lower monthly payments than any other loans. It also helps to consolidate all the debts into one single debt, which can be handled with ease.

The other type being the home equity line of credit, which too works the same way as the home equity loan except for the fact that more money can be borrowed against pledging the house, some times even up to 125 percent of the value of the house. The home equity line of credit is for a person who does not have any idea of how much money is needed to borrow. With this option the person can get more money borrowed against his house very easily.

Home equity line of credit also helps the borrower to postpone the payment of principal for a certain period of time agreed upon by both the lender and the borrower or to get a special discounted interest rate. Some lenders even offer flexible interest rate where the borrower pays both the principal and the interest or avails fixed monthly payment plan. It is up to the borrower to choose from. The home equity line of credit comes with a shorter term payment plan. However the risk of losing the home in case the loan payment is defaulted should be thought about.

It is not a big achievement to get a home equity line of credit, but the key lies in the effective utilization of funds. The house is the biggest asset for any person and the home equity loan helps in take the full advantage of it.

Home equity line of credit can be used for unexpected emergencies such as the medical expenses or even for a funeral expenses. The required money is got quickly without damaging the credit score.

Credit card debts, loans and so on can be effectively managed with the help of home equity line of credit. It is wiser to clear off the debts with higher interest rate like the credit card debts and loans and pay back the home equity loans with a lower interest.

Educational expenses are very expensive these days, even a community college will cost thousands of dollars per semester. Home equity loans can be very invaluable in paying these expenses.

For remodeling the house, the amount got through a home equity line of credit is best utilized. New additions like a bedroom, bathroom or remodeling can be done to increase the value of the house. As an owner, the person enjoys the benefits or updates and at the same time adding more value to his house.

Source: <http://www.articlecircle.com>

About the Author

Lesley Lyon is an expert in dealing with finance related matters. He has written several informative articles on topics like credit card, debt consolidation, building a good credit score, mortgage, home refinancing, loan and insurance. He regularly contributes articles to web guides on mortgage and home refinancing <http://www.fundsleader.info> and <http://www.financialdeals.info>