Benefits of Home Equity Loans

Home Equity Loan in terms of common man is, by using an individuals home he can borrow money. In this case the property is used as a collateral guarantee for the money received. It has been understood that the individual has to repay the debt within a time frame, and if he fails to do so the money lender can sell the collateral and take his money back. So, in this case the equity in the home is used as collateral. If the debt has not been paid the concerned party will be forced to lose his home. If the loan amount has been paid, in full then the property will be the buyers. Equity can be explained as the difference between the worth of the home and how much loan exists on the mortgage and the banks will lend money against the equity only. This type of loan is taken for the purpose of major home repairs or improvements, education expenses, wedding expenses, medical expenses etc.

Home Equity loan can be classified into two different types as, Traditional Home Equity Loan and Home Equity Line of Credit and these are also known as second mortgages, as they are safe by the security of property. These types of loans are returned in a short span of time than the first mortgage.

Traditional Home Equity Loan is also known as closed end home equity loan which means the money borrowed must be returned or repaid within a predetermined period. In this type, the interest will start to accumulate immediately after the money has been given. And at the time of closing a lump amount of money can be borrowed and will not be able to get further amount. The loan amount will be determined by analyzing the credit history, income and value of the collateral. For this type of loan they have a specific period say up to fifteen years.

Home Equity line of credit will offer the borrower a cheque book or a credit card which can be made used to borrow money against the home equity when and how often the concerned party requires the amount. Until a purchase is made against the equity the interest will not begin to accumulate. This type is also known as open end home equity loan. The period fixed generally to repay the loan is over thirty years at a varied interest rate.

Generally home equity loans have some specific fees and some of them are Evaluation fees, Inventor fees, Stamp Duties, Concluding fees, Arrangement fees, early pay-off, Surveyor or Conveyor or valuation. In some cases, some of them may be ignored. This can be increased or decreased if the concerned party has his personal surveyor to examine the property. The fees differ from loan to loan so that the parties concerned must have a clear picture in the beginning itself. This type of loan helps in tax savings because the interest paid against the home equity loan is tax-deductible.

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About the Author

The web guide http://www.fundsleader.info discusses the key features of mortgage and refinancing in a comprehensive manner. Also check out http://www.financialdeals.info for a better understanding of how refinancing works for various types of loans.