

## What Is A Home Equity Loan?

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A home equity loan which is also known as an equity line of credit assist a homeowner to borrow certain funds for home improvement, debt consolidation, education or other of life's unexpected expenses. It is a simple way to collect money from the equity of property currently mortgaged that has equity.

To understand the equity loan first you must understand what exactly equity is. Simply equity is how much money you have spent on your home subtracted by the amount of money you owe on your home. For example, you have a \$100,000 loan and you placed \$10,000 down payment towards the loan when you first purchased the property. Now you have a \$90,000 loan and an equity rate of \$10,000.00.

You are required to secure this type of loan with collateral. In usual cases, the collateral is the home itself. In other words, if you want to borrow against the equity in your home, you will have to pledge or promise your property to secure the loan with your lender. Should you default or bankrupt the loan, the lender has the option to sell your home in an effort to satisfy the debt you incurred. Under federal guidelines lenders can hold themselves "harmless" and secure themselves either way holding more than one source of potential payment with which to secure their initial investment towards this loan.

Second mortgages or Home Equity Lines of Credit (HELOCS) are essentially the same as mortgage loans with a few twists thrown in for good measure. HELOCS are also secured by the property (collateral interest) however, while traditional primary loans can be written over a 30 year span of time, HELOCS usually mature (meaning they come due) within 5, 10 or sometimes 15 years. A shorter amount of time to pay back the loan, the competitive rate of interest, and collateral bind the loan for the lender's protection. It is a sure way to give the borrower the money needed and secure or satisfy the lender's need for protection against loss of the investment on the loan.

In the interim, while you continue to make your payments in a timely fashion, the equity builds up against your home while the value of the property continues to increase. This rise in property value and equity allows for the \$100,000 initial investment to increase over time gaining the owner more borrowing power as the life of the loan matures. you can easily get an online quote for home equity loans or bad credit home equity loans and even compare home equity loans between different lenders.