Calculating Your Home Equity

Contributed by Administrator
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Home equity loans are one of the best financing options for home owners. You can use your home equity as collateral and avail loans. Home equity loans can be put into use for various purposes namely debt consolidation, home repairs, medical bills and college tuition for family members. Home equity loans are advantageous because of the fact that the interest charged is tax deductible.

Home equity loans come with low rates of interest owing to the fact that they are secured against your home. The lenders are at less financial risk as they have the option of forfeiting your home in case of failure payments. Home equity loans take all the resources that you have invested in your home either for owing it or improving it or both.

Home equity loans can be availed as a lump sum or you can use them as a revolving home equity line of credit. Home equity loans come broadly in two forms namely fixed rate mortgage and adjustable rate mortgage. The major difference between fixed rate mortgage and adjustable rate mortgage is that the interest rates are fixed in the former while it can be fluctuated in the latter form of home equity loans.

Around 70% of the home equity loans are fixed mortgage loans. Adjustable rate mortgage offers more flexibility than fixed one. It takes into account various indices and varies the interest rate according to that. The indices that have to be considered are treasury notes and bills, average interest rates paid on jumbo certificates of deposit, the federal housing finance board’s national average mortgage rate, etc.

You can choose your home equity loans using the calculators that the online brokers host in their sites. You have to specify the loan amount, the time period and the desired rate of interest. Then the calculator would produce the monthly installments that you have to make. When you quote for home equity loans online then you have to give the description of your family and the type of loan you want.

The family description can be made on terms of single or multi family, town house or condo, etc. Your credit rating is essential for availing home equity loans which usually rate them as excellent, good, fair, needs improvement, bad or poor. Since you secure your home as collateral your credit status will not bother you much till you satisfy your lender.