

Why do Home Equity Loans can be denied?

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Home equity loans are high money loans that come with comparatively low interest rates. Equity is the extra value that adds up to the home value much than what it was when the borrower initially got the home mortgage.

With lapse of time, the borrower would have repaid some money through several installments and the value of the property per real estate trends would also have added up. So, home equity loans are given based on the accumulated new value of the home along with the value of the money repaid by the borrower on his original loan, thus making the equitable mortgage a target chunk of money for emergent needs.

Home equity loans is not an all time happening. It can be denied for several reasons:-

- The borrower has drastically tampered his credit score.

- Not enough income to repay the home equity loans installment.

- Has gathered more loans after the primary home mortgage with an unfavorable income-to-ratio personal finance

Banks are happy to give home equity loans for those that are having a good repayment portfolio. Those that have a bad repayment track or does not have enough income proof for repayment of home equity loans can still get these loans if they have a stable and financially sound guarantor to support the loan application.

The interest rates on home equity loans is normally expected to be low, but it is up to the discrimination of the bank to increase the interest rate per bank regulations based on the credit scores and other factors.

Of late, after the recent outbreak of the sub-prime borrowing related issues most of the banks are planning to cancel or ice up the home equity loans options. This cancellation issue is mainly because most of the borrowers have turned towards foreclosure due to the sub-prime borrowing issue and this has created a major loss to banks. Banks are expected to close the home equity loans option for those with bad credit scores. Experts are in to argument that this situation is temporary; however, it is up to time and other financial factors of the country that will decide the fate of home equity loans hereafter.

Despite latest rumors about closing down of home equity loans based for bad scores, there are several good credits people whose lines of credit on home loans that have been declared unusable. If you are planning home equity loans it is better you try it at the earliest before the HELOC cancellation fever catches up with your lender.