Home Equity FAQ

What is a Home Equity Loan?

Home equity loans give homeowners the option to borrow money using the home's equity as collateral. Equity is the difference between how much the home is worth and how much you owe on the mortgage (or mortgages, if you have more than one on the property). For example, if a current appraisal on your home indicates a value of $215,000 and you owe a first mortgage balance of $110,000, the available equity in your home could be $62,000 if Loan to Value (LTV) were 80%.

If you need a set amount of money for a specific purpose, such as an addition to your home, you may consider a fixed rate home equity loan, which is a one-time disbursement and closed-end transaction.

What is a Home Equity Line of Credit?

A Home Equity Line of Credit is essentially the same as a Home Equity Loan; however, a Line of Credit is considered an open-end line of credit.

If the cost of your project is undetermined or you plan to use the money for multiple purposes, you may consider a variable rate home equity line of credit. Multiple advances (or disbursements) may be taken from this open-end line of credit.

What is the purpose of a Home Equity Loan or Line of Credit?

A home equity loan or line of credit is an additional mortgage allowing you to turn your home's equity into cash to spend on home improvements, debt consolidation, college tuition, or other expenses.