Use These Five Issues Before Getting a Home Improvement Loan

Use cash it if you have it. If you don’t, here are some options for you to consider, like Home Improvement Loans.

Using your savings to pay for home improvements may be a better option than acquiring more debt. This is usually best for most minor repairs or maintenance projects. For small projects, the best advice we can give you is to save enough cash in a reasonable amount of time. This way, those needed changes; maintenance or repairs won’t get delayed for too long.

However, if your project involves changes like a kitchen remodel ($50,000 average) or a bathroom remodel ($15,000 average), it could take years to save the cash needed for that and you should perhaps think about getting a home improvement loan.

Should you get a home improvement loan? Here are 5 core things to consider:

- **Combine saved cash with your home renovation loan**
  Consider combining cash with any of the other financing options. This may considerably reduce the total amount of interest you pay.

- **How to finance home improvements with your credit cards**
  Use a credit card to pay for your home improvement. Keep in mind details such as the possible rewards you could get on one side, and paying monthly charges in full and on time to avoid paying interest and/or late charges. For those small projects, only use zero (0%) or low interest credit cards when cash is not available.

  You may find 0% interest offers on new credit cards attractive, for projects under $15,000 (like that bathroom remodel), mostly because you plan to pay off the amount balance in a short period of time (12 to 18 months). The credit application and approval process is quite simple and there is no equity risk on your dwelling on this unsecured type of financing. Be aware, you need to understand the terms and fees of these credit card offers, especially that you are capable of paying off the full balance before the offer expires to avoid higher interest rates.

- **Choosing the best home improvement loan for you**
  For the mid-range size projects ($15,000 to $50,000), consider unsecured or home improvement loans. They are easy to apply for with no collateral requirements, although interest rates are higher than Home Equity Loans or Home Equity Line of Credit (HELOC).

- **Difference between a Home Equity Loan and a Home Equity Line of Credit:**
  A home equity loan, gives you money all at once, while a home equity credit line provides a source of funds that you can draw on as needed. These may be more suitable for the higher end of a mid-range size project. You should consider cost of financing and collateral risks vs. urgency and timeliness before choosing which one suits you best.

- **How to decide between a Home Equity Loan and a Home Equity Line of Credit?**
  Have in mind that the Home Equity Loan is a fixed interest rate loan and a Home Equity Line of Credit is an adjustable-rate interest loan. Some HELOC offers will have an attractive introductory or promotional rate for a limited time, sometimes lower than a Home Equity Loan.

- **Should I refinance my mortgage and cash it out as a home renovation loan?**
  Another option may be a first mortgage cash-out refinancing. Be aware that the closing costs will often be substantially higher than those related to Home Equity products. Make sure you estimate the cost of your home improvement and the time it takes to pay off the loan. Home Equity products may save money on projects over a shorter period than a cash-out first mortgage.

Always consider financing the projects that improve the value of your home. Look for information on which improvements or upgrades will boost property value in your area and never finance a major improvement if it increases the value of your property out of the comparable market.

If you need further advice on how you can increase the value of your property by renovation or remodeling, feel free to contact us for free suggestions or consultation.