5 ways savvy homeowners can take advantage of home equity

A home equity line of credit, better known as a HELOC, can be an excellent avenue for helping clients achieve their dreams. But it's essential that they be smart about how they use them. For example, tapping into a home's equity to purchase a piece of land for the downpayment on new construction is smart. But using it to install a luxury item, such as a pool, thinking there will be a return on the investment, may not be so bright. Understanding the basics of a HELOC is key to explaining the advantages to a client. Most lenders will allow an owner to borrow up to 90 percent of the appraised value of a home. For owners whose homes have appreciated, the amount of equity they may use toward the purchase of a new home or investment property can be substantial. Most HELOCs are set up as a checking account. If you don't use the money, you don't have to pay for it. A HELOC balance rises and falls like a regular checking account. Fees and interest are usually low on a HELOC, so t...

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