

# Home Equity Advantages

**HOME EQUITY IS THE MOST SIGNIFICANT SOURCE OF WEALTH FOR MANY HOMEOWNERS.  
FIND OUT HOW TO MAKE YOUR HOME EQUITY GO TO WORK FOR YOU.**

Once you purchase a home and begin making payments, you immediately begin building equity. Of the 69% of U.S. households who own their own homes, 24.7% have accumulated 100% equity.\*

Your home is the most valuable asset you may ever own. Usually, it is an untapped resource that can be used to your benefit. Non-traditional refinancing products allow homeowners to lower their monthly mortgage payment and borrow money to strengthen their financial position.



Cash-out (or “equity release”) refinancing allows homeowners to refinance their existing mortgage and receive a portion of their equity back, to use for such things as remodeling, consolidating higher-interest debts (such as credit cards or loans), or investing money in places that may offer a higher return.

Cash-out programs allow borrowers to receive up to 80% of the loan-to-value ratio for their home. In other words, the lender would pay off the borrower’s existing loan and provide cash up to 80% of the home’s value. (For example, a homeowner who refinances a home valued at \$300,000 – and whose balance on his existing loan is \$200,000 – would

be eligible for up to \$40,000 cash.) Homeowners can then use that money to help pay for a college education, investments, or purchase a vacation home. All related closing costs, financing costs and prepaid items can be rolled into the new loan amount, further maximizing your borrower's cash flow potential.

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HOMEOWNERSHIP.**

If the interest rate offered for your refinanced mortgage is significantly higher than your current rate, cash-out refinancing may not be a sensible choice. In this case, a home equity loan or line of credit (HELOC) might be a better idea. While cash-out refinancing is a replacement of your first mortgage; HELOCs are separate loans on top of your existing first mortgage.

The opportunity to use the equity you have built up in your home is one of the benefits of homeownership. When you need cash for a home improvement project, to pay off high-interest consumer loans, or to finance higher education, you need not look any further than your own front doorstep.

\*Source: 2005 Census Bureau and HUD figures.

## **INTERESTED IN TAPPING YOUR HOME EQUITY?**

**Call Charley Farley at Compass Mortgage  
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