



PARDA
FEDERAL CREDIT UNION

InTouch

SPRING 2018

SHOULD YOU BE USING YOUR HOME'S EQUITY?



What is equity? (And why does your home have it?)

With details ranging from fixed rates and loan terms to property appreciation and market value, home equity can be a complex topic. For the sake of conversation, we'll stick with the basic premise that your home's equity is the difference between what your home is worth and how much you still owe on it. As your home's value goes up over time and your monthly payments chip away at your mortgage balance, your equity increases.

It can be reassuring to know that if you ever choose to sell your home, that equity would come back to you as profit. The beauty of home equity loans and HELOCs is that they let you leverage that equity without requiring you to sell your home. Those funds may be comforting in theory, but they can also be an effective tool for your financial future.

Does it make sense to use your home's equity?

Since it represents debt you've already paid off, you may be wondering why you would ever tap into your home's equity in the first place. That's a fair consideration, and it's always a good idea to discuss the decision with a trusted financial advisor before proceeding. However, there are a few key benefits that make home equity loans and HELOCs a solid financial solution:

- Because they're considered secured debt, home equity

loans traditionally offer lower interest rates than credit cards and other consumer loans.

- A fixed-rate loan lets you lock in a low rate for the duration of the loan, protecting you against market fluctuations.
- If you don't need the money in one lump sum, a HELOC lets you access funds as needed and only requires you to pay interest on the amount you borrow.

After you secure a home equity loan or HELOC, you're free to spend the money however you please, but some of the top uses include:

- Consolidating high-interest debt
- Medical bills
- Home improvements
- Emergency fund
- Education costs

Helpful Hints

It's important to remember that using equity as a quick fix without considering the budgetary impact can be dangerous proposition. If you're consolidating debt without changing poor spending habits or if you're making home improvements that won't add value to your house, you could be setting yourself up for a financial crisis. Since you're using your home as collateral, it's important to honestly assess your financial situation before rushing into a decision.

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ANNUAL MEETING

Thursday, May 17 at 5:30 pm
2601 Cambridge Court
Suite 210
Auburn Hills, MI. 48326



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