

Home Improvement Loans

Need a bigger home? Need to remodel? Not interested in or able to move? You may want a home improvement loan.

Home improvement loans are designed to help borrowers make improvements to their homes. They can be used for things like building a pool, adding a new room, remodeling a kitchen, or re-carpeting the entire house. It is a secured loan; collateral is required - current equity in the home. To qualify for possible tax deductions, the improvements must be on the borrower's primary residence, second home, vacation home, and not rental property.

The interest rate on a home improvement loan is typically lower than on other secured loans, as this type of loan is less risky, plus it tends to enhance the value of the borrower's home. Borrowers must own their home or be making payments on their own home to be eligible for this kind of loan.

Home improvement loans help borrowers remodel or add additional features to their homes. Kitchen and bath remodels are the most popular home improvement, but other purposes for getting the loan include installing a new roof, building a garage, or adding a swimming pool. There are two types of home improvement loans available to most borrowers: FHA title I home improvement loans, and traditional home improvement loans.

With either type, the borrower must own or be buying the home, since the home will be collateral for the loan. Traditional home improvement loans require that the borrower have substantial equity in the home, usually 20 percent or more. The existing equity in the home, along with the equity that will be created by the improvements, is the collateral. The lender secures the loan by taking out a first or second lien.

Most home improvement loans have a repayment schedule of ten years or less, though some lenders have programs allowing up to 15 year repayments, depending on the amount of money borrowed. As with mortgages, any interest paid on a home improvement loan is tax deductible. Interest rates on home improvement loans are usually significantly lower than those on personal loans, as lenders consider them risky.

FHA title I home improvement loans are part of a U.S. government program that helps borrowers rehabilitate or improve their homes, just like with traditional home improvement loans. This type of loan is available through approved lenders, usually banks. Certain types of improvements (such as swimming pools or barbecue pits) are identified as luxury items and are not allowed under the Title I program. With Title I loans, the borrower is not required to have any equity in his or her home for collateral. The repayment period can be as long as 20 years, and borrowers can have had past credit problems, providing they have demonstrated recent acceptable credit habits.

With loan requests of under \$7,500, the lender does not take out a lien on the home. The requirements are less stringent than for traditional home-improvement loans, which makes it easier for more home owners to participate. Any interest paid is tax deductible.

Before you buy your first house, you should check to see if there are, in your community, any special programs available for the first time home-buyer. You may be lucky and find such a program that fits your needs. Even if you're only thinking about buying your first home, you should check out what programs are offered in your area. Some programs will even educate you on how to buy a home.

Here's a short list of things you should look for in a first-time home-buyer's program. First, make sure the people offering the program have been in business in your community for a while. Mortgage companies come and go, and not all special offers are what they are cracked up to be. Local financial institutions are a good place to start looking.

Second, Find out what the requirements are for taking advantage of the program. The best first time home-buyer programs are designed to help low- to moderate-income families. They offer reduced interest rates, lower down payments, and substantially smaller closing costs.

Finally, see if the program you are looking at offers an education segment. You should have the opportunity to be informed on issues like income requirements, credit requirements, down payments, closing costs, how to budget and save, how to shop for a home, and how to purchase a home. If you select a home buyer's program with all these features, you're sure to save money, and the whole process will be easier.