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## Making Sense of Real Estate Borrowing Options By Susan Aitoro

Home equity loans, home equity lines of credit, second mortgages, refinances—today's real estate lending products can be difficult to understand.

Typically, people refinance or borrow against their home's equity to reduce their monthly payment, retire their loan early or "cash out" some of their home's equity.

If you're looking to borrow or refinance, know your options:

Home equity loan—this is a fixed-rate loan with a fixed term, such as 5, 7, 10, 15 or 20 years. The interest rate may be slightly higher than mortgage rates, and there's no closing costs. Home equity loans let you use the equity in your home as collateral. This is important to know because if you fail to make the payments, your home can be taken to satisfy the loan.

Home equity line of credit (HELOC)—works like a credit card. The borrower applies for a line of credit for a certain amount and uses it as needed. There are no closing costs and interest is applied only to the amount used. The borrower may opt to pay their HELOC balance in full, make minimum monthly payments or pay something in between. Note: the rate on a HELOC is variable—it can change depending on several economic factors such as adjustments to the Prime rate.

Cash out refinancing—when a home's equity exceeds the mortgage balance, a homeowner can refinance the loan for more than what they currently owe. This is a replacement of a first mortgage and entails closing costs and fees, which could be substantial. If rates are higher than what they were when you opened your existing mortgage, cash out refinancing probably is not a wise choice. You may be better off with a home equity loan.

All of these options use your home as collateral. Before considering them, ensure that you're using the money wisely. If it's for debt consolidation, don't rack up those credit card purchases any further. If you're making home improvements, spend on what will increase your home's value in case you want to sell in a few years.

A new option to consider is First Atlantic's Mortgage Express Loan for Monmouth and Ocean county residents. This is a terrific alternative for those who wish to refinance quickly or consolidate a first mortgage and a home equity. Closing costs are considerably lower than those of a traditional mortgage. For information on any type of real estate loan, call one of our Real Estate Specialists at 732-380-3600, extension 3903.

Susan Aitoro is Assistant Vice President, Real Estate Lending at First Atlantic Federal Credit Union. She has been providing First Atlantic mortgages and home equity loans to Monmouth and Ocean County residents for over twenty years.

