



Understanding Your Home Loan Options

As interest rates begin to rise again after hitting record lows, many homebuyers and homeowners are seizing the moment to apply for a home loan. Whether you are thinking about purchasing a new home or are looking for cash to take care of upcoming expenses, consider using a home loan to accomplish your goals. A home mortgage, home equity line of credit (HELOC) or a standard home equity loan may be the right choice for your needs. Let's weight the risks and rewards of each.

Home Mortgage Loan

A [home mortgage](#) is the most common type of home loan, especially for first-time home buyers. For anyone planning to purchase, build, or refinance a home, it's important to shop around and compare rates from various mortgage lenders to get the best deal for you. There are many options to consider, including conventional, construction, jumbo, and federally-backed loans like FHA, VA, and USDA loans. Partnering with a financial organization that provides local decision-making can also bring advantages over dealing with big banks. [Talk with a loan advisor](#) to get pre-approved and hear about the variety of options for a home mortgage.

Home Equity Line of Credit (HELOC)

A [home equity line of credit \(HELOC\)](#) is similar to a home equity loan, except it offers a revolving line of credit to be used on an as-needed basis over a set period of time. Funds are borrowed against the equity in your home, but a HELOC often offers lower closing costs and repayment terms tend to be more flexible. This type of loan is usually offered with a variable interest rate. With a HELOC, you are only obligated to pay interest on the amount you actually use instead of the full sum you qualify for. This loan is often used for major expenses like education, home improvements, or medical bills.

Home Equity Loan

A [home equity loan](#) is a type of mortgage where you borrow against the equity in your home. Your home's equity is calculated based on the difference between how much your home is currently worth and how much you may still owe on your mortgage. Typically, financial institutions allow you to borrow up to 85% of your home's equity. A home equity loan may

provide a lower interest rate than a personal loan can offer, but it can include closing costs and fees. Using this type of loan is a great way to get quick access to funds for home renovations, unexpected expenses, debt consolidation, and more.

Whether you're looking to buy your first home, purchase an investment property, fund home improvements, or more, there are a variety of home loan options to meet your needs. Understanding the differences between a home mortgage and a HELOC helps you to become an informed consumer when you consult a financial institution to explore which funding option is right for you. Speak with a friendly advisor at [your local credit union](#) to learn more details about their competitive rates and home loan products.