

FHA 203(k) program

The FHA Section 203(k) is a loan program that allows a home buyer or a person who is planning to buy a home to remodel their home and make one low interest, 30-year mortgage payment as opposed to a traditional second mortgage or a Home Equity Line of Credit (HELOC).

When a person uses a 203(k) loan, FHA/HUD assigns a consultant to estimate the cost of the desired improvements or upgrades. Inspections are conducted during various phases of the construction process so construction is up to local building codes, and complete to the home-owners satisfaction. If a person buys the home then remodels it, the first payments on the mortgage can be extended until construction is complete (for a maximum of 6-months).

For additional information visit the HUD website at:

http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/203k/203kabou

To find approved lenders, please visit: <http://www.hud.gov/ll/code/llslcrit.cfm>

Home Equity Line of Credit (HELOC)

A Home Equity Line Of Credit (HELOC) is a form of revolving credit in which your home serves as collateral. Because a home often is a consumer's most valuable asset, many homeowners use home equity credit lines for major items such as education or home improvements. Once approved for a home equity line of credit, you will most likely be able to borrow up to your credit limit whenever you want. Typically, you will use special checks to draw on your line. Under some plans, borrowers can use a credit card or other means to draw on the line. In deciding to use a HELOC, compare the costs of a HELOC with a traditional Second Mortgage (below). Look at both the APR and other charges.

For additional information visit the Federal Reserve Board website at:

http://www.federalreserve.gov/pubs/equity/equity_english.htm

Second Mortgage

If you are thinking about a home equity line of credit, you might also want to consider a traditional second mortgage loan. This type of loan provides you with a fixed amount of money, repayable over a fixed period. In most cases, the payment schedule requires equal payments that pay off the entire loan within the loan period. You might consider a second mortgage instead of a home equity line if, for example, you need a set amount of money for a specific purpose. In deciding which type of loan best suits your needs, consider the costs under the two alternatives. Look at both the APR and other charges.

To find out more information about obtaining a second mortgage, contact you current mortgage lender.