

Financing your home improvement project

One of the most important considerations for your home improvement project is financing. After all, the project will go nowhere if you can't pay for it.

Fortunately, there are several options that can provide the dollars you need. Four of the most common are a home improvement loan, a home equity line of credit, a home equity loan (second mortgage) and a cash-out refinancing of your current mortgage.

Cold, hard cash. The simplest method of financing is cash. If you have cash in savings to pay for your remodeling project, this may be the best way to finance your home improvements. But be sure to consider the fact that, by paying in cash, you tie up money that could be earning investments. In other words, you need to look at the interest rate that you would be charged by financing the project and compare this to the interest you could earn by investing these funds alternatively. Remember that interest payments on a home improvement loan may be tax-deductible, while you can't write off the expenses of a project paid with cash. Crunch the numbers with a financial adviser to determine whether paying in cash will really pay off in the long run.

Home improvement loan. Two special loans administered through the Federal Housing Administration (FHA) are the Title I and Section 203(k) programs. A Title I loan allows you to borrow up to \$25,000 for improvements to a single-family home. This is a fixed-rate loan that the FHA insures

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Website provides updates

The Louisiana Home Builders Association is using their website to help home buyers and home builders

learn more about the state's housing industry and combat fears about the national housing slump.

This website is a tremendous tool for members of our organization, potential buyers and builders, as well as other stakeholders in the housing industry, to obtain quick information and updates on the status of Louisiana's housing market. Having a site with local information is very important, because national reports do not accurately reflect the status of Louisiana's housing industry.

Folks need to understand when you look at the national trends on subprime loans, foreclosures, whatever, Louisiana is right where it is all the time. Our average is pretty much the same in good times and not so good times ... we're bucking a lot of the national trends."

All real estate markets are local, so it's important to know what's going on in the market you're interested in rather than take a national story and apply it to every region and every state, according to Hoffman.

Louisiana has a much stronger economy than other states in our country, namely because the local housing industry has remained relatively strong. We have low foreclosure rates, a good housing inventory and available cash for persons seeking to invest in a new home. Now is a good time to buy a home in Louisiana.

The website provides links to the state's various regional housing association chapters and information on housing markets in the different regions of the state and provides resources, including statistical charts, housing buying tips and a mortgage calculator.

This information provided by Phil Hoffman, LHBA president. See the Louisiana Home Builders Association website at www.lhba.org, call 225-387-2714 or 800-272-9912 or email info@lhba.org.

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against the risk of default. Loans must be made by an approval Title I Lender. The 203(k) program is not as well known, but if you are purchasing a fixer-upper, it's a terrific opportunity. This funding option lets homeowners receive a single, long-term fixed or adjustable rate loan that covers both the acquisition and rehabilitation of the property. To obtain a loan under the 203(k) program, you must use an FHA-approved lending institution. Most mortgage lenders are approved to make loans through this program.

Home equity line of credit. A home equity line of credit is a form of revolving credit in which your home serves as collateral. This allows you to tap into these funds whenever you need it. The credit line is usually set at 75 to 80 percent of the appraised value of your home minus the balance of the first mortgage. Your credit history and ability to pay may also be considered in determining the amount of credit available. Home equity lines of credit usually carry a variable interest rate that is figured by adding a margin to the current Prime Rate or some other index. Other costs associated with setting up a line of credit may also apply and will vary from lender to lender.

Second mortgage. If you are not comfortable with the open-ended nature of a line of credit (which requires discipline to ensure that you don't go way over budget), a home equity loan, or second mortgage, may be right for you. This is a fixed-rate, fixed term loan based on the equity in your house that is paid back in equal monthly installments over a specific period of time. Remember that anything not included in the original contract will cost extra.

Cash-out refinancing. If interest rates today are significantly less than when you first purchased your house, refinancing your mortgage may be a wise move. This alternative allows you to use the accumulated equity in our home to take out a new loan to pay off your existing mortgage and then use the remaining funds for our remodeling project. Make sure you factor in the length of time you plan to live in the house and the number of years left on your current mortgage before you decide to refinance.

This information provided by the NAHBRemodelers® Council of Greater Baton Rouge. For a listing of reputable, proven home builders in your area - including certified remodelers - visit their website at www.capitalregion-ba.com or call 225-225-761-2800 or email info@lhba.org.

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