

# Your Family Finances

## Ten Ways To Secure The Best Home Equity Loan

(NAPSA)—A home equity loan can help improve your financial situation by paying down high interest debt, consolidating costly bills or raising needed cash. Before you decide to pursue this option, carefully consider whether a home equity loan is truly a constructive long-term solution. Following is a guide from Lisa Sodeika, consumer lending executive at Household, a leading provider of consumer loan, credit card, auto finance and credit insurance products, to help you determine if a home equity loan is right for you and how to obtain the best financing terms.

1. *Consider why you want/need a loan.* Is the loan a necessity? Are there ways to finance other than a loan? Review all the options available to you. If you are considering a consolidation loan to pay off high interest rate debts, make sure you are prepared to curtail nonessential spending.

2. *Prepare a budget.* Prepare a budget to evaluate whether you truly need to borrow. Begin by writing down typical monthly expenses. Are there areas where you can cut back? If so, it's a good idea to reduce spending while you improve your financial situation.

3. *Check your credit history for accuracy.* Your credit report is the main tool lenders use to determine the level of risk (likelihood that you'll repay your loan) you present and the financial terms that will be applied to your loan. Ensure your credit history is accurate. You can receive your credit information by contacting Equifax, Trans Union or



Experian. If you believe your credit history is inaccurate, notify the appropriate reporting agencies in writing so they can correct the information.

4. *Build/improve your credit rating.* Improve your credit rating by paying your bills on time, making sure you don't max out your line of credit, keeping accurate records of payments and limiting the frequency of cash advances against your credit cards. Work with your creditors to develop a new payment plan if you fall behind on bills.

5. *Do research.* Finance companies, banks, adult education centers and local colleges offer classes to help you understand basic financing information. Or log on to Household's consumer Web site, [www.yourcreditcounts.com](http://www.yourcreditcounts.com), or write to Household, Corporate Communications, 2700 Sanders Road, Prospect Heights, IL 60070-2799, for booklets on how to stay loan savvy.

6. *Shop around.* Discuss your

financial needs with at least two lenders in order to understand downpayment costs, interest rates, penalties for paying back the loan early, fees, insurance (life or disability insurance is not required) and other provisions.

7. *Don't sign a loan agreement until you understand all provisions.* Talk through all the important points of the loan with your lender and read the material before signing. Ask a lot of questions and don't be intimidated by financial language. Most importantly, don't sign an agreement that is beyond your financial means or that contains provisions that you do not understand.

8. *Seek advice.* In addition to lenders, financial planners and other professionals, talk to your family about what you're doing. Your financial future affects them as well.

9. *Know your rights.* A variety of laws regulate the lending industry, including the Home Ownership and Equity Protection Act and the Truth In Lending Act. If you feel your lender has treated you unfairly, contact the Better Business Bureau or a government consumer affairs department.

10. *Set goals.* Establishing long-term financial goals will help you determine how to best borrow money. Outside counsel, such as a financial planner, can help you. Two sources of credit counseling are the National Foundation for Consumer Credit ([www.nfcc.org](http://www.nfcc.org)) and the Association of Independent Consumer Credit Counseling ([www.aiccca.org](http://www.aiccca.org)).