

SMART MONEY MANAGEMENT

Top Five Tips To Make The Most Of Your Home Equity

(NAPSA)—For most Americans, their home is more than just a source of pride. It's their largest single asset. It's smart to make the most of it.

Home ownership is at an all-time high. As private residences continue to appreciate in value, their equity grows as a financial resource. A home equity account can be an intelligent way to manage important purchases and major expenses because the interest on the account is usually tax-deductible and you control how to best use the funds.

Doreen Woo Ho, president of Wells Fargo's National Home Equity Group, offers homeowners the following five tips for successfully opening a home equity account.

1. Be sure you are working with a reputable financial services company. If you already have a good relationship with your bank or mortgage company, you can probably expect the same from the organization's home equity unit.

2. Carefully review the account agreement to make sure you understand the terms and rate. This includes the costs you will incur to open the account, how long you'll have it, and the agreed-upon time for payoff. It's also important to understand the difference between a fixed interest rate home equity loan and a variable rate line of credit. Interest rates are based on the amount you borrow and the term of the loan. Shop around to find rates and terms that most closely suit your needs without putting too much strain on your personal financial situation.

3. Ask about points and fees. Read the fine print and ask questions to avoid any last-minute surprises. Are there upfront or closing costs for the account?

Many fees can be waived depending on your credit situation and the lender's discretion. Ask about buying points. To get lower rates, you may have to pay higher upfront costs.

Also, in many instances, the

Find your available equity for Home Equity Financing (up to 100 percent loan to value)*

	Sample Home	Your Home
Estimated Market Value	\$285,000	
Multiply by 80 percent LTV	x.80	x.80
=	\$228,000	
Subtract first mortgage balance	-\$158,000	
Subtract second mortgage balance	-\$0	
Available Equity	\$70,000	

* For Texas homestead secured home equity loans, maximum combined loan to value is 80 percent. For all loans and lines, the bank will determine actual available equity based on bank appraisal or independent property valuation.

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It can be a smart decision to use your tax-deductible home equity to finance life's important purchases.

interest paid on a home equity account is tax-deductible, but check with a tax adviser to review specifics before you sign on the dotted line.

4. Understand your payment schedule. Are you paying interest only or are you paying on the principal? Are you looking for cash flow or are you aiming to pay off the account as soon as possible? Ask your lender to help you calculate different payment scenarios to give you an idea of various monthly payment options.

5. Pick the home equity account that maps to your financial goals. It is important to set financial goals for the home equity account.

Once you have determined your goals, stay committed. This will help you use your home equity account as a smart way to manage the home asset as an important source of funds.

You've worked hard to build up your home's equity. Now it's time to make the most of it.