



Search for : Retirement guide - Mob Scene - Jobs

Navigation bar with categories: News, Sports, Entertainment, Business, Restaurants & Food, Living, Video, Classifieds, Dealyo. Sub-categories: Real Estate Search, Rentals, New Construction, Condos, Commercial, Open Houses, SELL Mortgage Rates.

EMAIL PRINT FONT SIZE COMMENTS Recommend

Posted on Tue, Jul. 12, 2011

### Tapping equity can be a smart move

Erik J. Martin CTW Features

At first glance, a home equity line of credit might seem so 2006. But despite tighter post-bust lending restrictions, HELOC can be a smart borrowing option for homeowners who fit the right criteria.

While today's HELOCs are not vastly different than those of recent years, their limits and restrictions have drastically changed, says Carol Lynn Upshaw, vice president of private mortgage services at Private Bank of Buckhead in Atlanta.



A HELOC – a form of revolving credit in which your residence serves as collateral – usually is determined by taking a percentage of the home's appraised value and subtracting from that the balance due on the existing mortgage. Formerly, you could typically get a combined loan-to-value ratio of 100 percent of appraised value at prime, or prime minus a percentage. But today very few banks will exceed a combined ration of 80 percent. Additionally, appraised home values have dropped, which has subsequently lowered the credit amounts banks are willing to lend out.

"In this market, where credit is tight everywhere, any financing can be beneficial," says Scott Stern, CEO of Lenders One Mortgage Cooperative in St. Louis.

Advantages of lines of credit versus other types of loans include the interest rate, which can be variable or fixed, is usually lower than what you'd pay on the average credit card or other form of non-secured debt, and the interest you pay is generally tax deductible. At the time of writing, the average interest rate for a \$50,000 HELOC was 4.41 percent, according to Bankrate.com.

When applying for a HELOC, shop around carefully for the best rates and terms, and be prepared to provide more documentation than years ago to prove your credit worthiness.

Recommend Be the first of your friends to recommend this.

#### today's PHILLY.COM POLL

##### What will be the Eagles' biggest need in free agency?

- Cornerback
- Pass rusher
- Offensive lineman
- Defensive lineman
- Backup quarterback

View results

#### TODAY'S PHILLY.COM VIDEOS

- Mauri's ex-producer talks!
- Archbishop Charles Chaput
- Beatrice Capra builds confidence with Freedoms
- Crime Scene, Senate Seat to Hot Seat...Again
- Mike Solomonov, One Great Idea

More videos >>

#### PHILLY.COM PROMOTIONS

- Philly.com Contests
- Philly Dealyo
- Philadelphia Visitors Guide
- Philadelphia Restaurants
- Philadelphia Sports
- Buy Phillies Tickets

#### latest PHOTO GALLERIES

- Love: Meghan Conlan & Steven Smith
- Phillies 4, Cubs 2
- Fashion Week Swim 2012
- Old scenes from the Shore: remember Storm of '62?
- Most HONEST city in America?
- Chelsea pool party