PACE

DESIGN & CONSTRUCTION

FINANCING GUIDE

If you are considering a home remodel, financing is likely one of the first puzzle pieces to be decided upon. When it comes to types of loans and who to work with there are several options.

FINANCE WITH EQUITY

Borrowing against home equity typically involves either taking out a second mortgage or refinancing your existing mortgage to access the funds needed for a home remodeling project. This option often offers the benefit of lower interest rates, and the interest paid on home equity loans or lines of credit is tax-deductible when used for home improvements.

When opting for equity financing, it's important to note that the lender typically requires a home appraisal to determine the property's current market value. Additionally, borrowers may need to cover closing costs associated with the loan.

HOME EQUITY LINE OF CREDIT

A HELOC is a credit line that allows you to borrow funds as needed with minimum payments required only for the amount you borrow. The maximum HELOC amount can be up to 85% of your home's value minus your outstanding mortgage balance. The interest rates are usually variable, meaning your monthly payments can fluctuate based on changes in the interest rate. Typically, you have 10 years to utilize the funds from a HELOC and an additional 20 years to repay the remaining balance.

HOME EQUITY LOAN

Similar to a HELOC, a home equity loan enables you to borrow up to roughly 90% of your home’s value, minus your existing mortgage balance. The distinguishing factor is that you'll receive the entire amount in a single payment and repay it over a period that is typically 30 years or less. These loans come with fixed interest rates and monthly repayment obligations.

PACE
DESIGN & CONSTRUCTION

CASH-OUT REFINANCE

Cash-out refinancing replaces your existing mortgage with a larger one, and you receive the difference in cash to fund your renovation. This option is best if you need a large loan for a long-term home renovation, ideally with a lower interest rate than your current mortgage.

FINANCE WITHOUT EQUITY

CASH

Cash can be used to finance home renovations, which avoids the burden of interest payments and ensures a debt-free completion of the project. Regularly allocating a portion of your monthly income for savings can gradually accumulate funds for upcoming home improvement projects and essential repairs. Spreading out the expenses over the renovation duration can assist in aligning the project with your budget. Cash financing makes sense when it does not hinder your other financial objectives or surpass your monthly budget limits.

PERSONAL LOANS

Unsecured personal loans provide a quick way for homeowners to finance projects, as most lenders can fund these loans within a week. This is in contrast to home equity financing, which involves time-consuming underwriting and appraisal processes.

PACE
DESIGN & CONSTRUCTION

FINANCING CONTACTS

WHM
Washington Home Mortgage

Diego Calderon
301-674-7919
dcalderon@whmortgage.com

renofi

synchrony

HFS
Home Improvement Loans