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Home Equity Loans 101

By: Frank Kelly

A secured home loan differs from an unsecured loan in that the secured loan borrows against one's home as collateral, thereby reducing the risk to the lender.

As such, secured home loans often offer better interest rates than unsecured loans, but offer higher risk to the borrower, as defaulting on these loans can have greater consequences, such as fines, or even possible repossession of the home originally put up as the secured collateral (subject to the amount of the loan, of course).

As the interest rates for secured home loans are usually significantly lower than unsecured loans, more of the monthly payment goes towards paying off the capital, rather than paying the accrued interest.

The monthly payments are often more flexible in secured loans, affording the borrower more leeway in working out a payment plan that fits his or her needs. However, care must be taken not to use this as justification for taking out such a loan, as it is a financial contract between lender and borrower.

There can be a number of reasons for taking out a secured loan, such as debt consolidation of high-interest loans, financing for remodeling, or repayment of college or car loans. Most lenders offering these types of loans recommend loan repayment insurance, to guard against an inability to pay on the loan for a time due to factors such as illness, losing a job or other unexpected occurrences.

Before taking on a substantial loan such as a secured home loan, a careful analysis of personal finances is in order. Having a friend or an accountant or finance officer assist in this process can save trouble and headaches later, as they may bring up issues and/or expenditures unthought-of, issues such as examining how much is spent on morning mochas at a favorite coffee shop? An outside perspective can often help clarify these matters so a better-informed decision can be made.

If proper planning and care is taken, a secured home loan can be a valuable tool for managing personal debt. Talking to a loan officer or financial advisor at a major lending institution can help make these possibilities a reality, and can be a step towards the realization of financial freedom.

About the author: Frank Kelly is a freelance writer. Years ago he was an employee who regularly used payday loans to get thro the month. Then he discovered the better alternative of a home equity loan. Discover useful advice and information about home equity loans. Website contains articles and advice about home equity loans. Click ==> <http://www.homeequityloans-cheap.com/>

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