

# MORTGAGE MATTERS

Financial Issues for Today's Homeowner

## Home Equity Loans

## HOME EQUITY LOANS -

Home equity loans or lines of credit are versatile tools for taking control of your finances and making the most of the equity you have built in your home. Another advantage is that unlike credit cards and personal loans, a home equity loan or credit line has the potential for significant tax savings.



**Joanne Zarro**  
is a licensed  
mortgage broker,  
ready to help find  
the appropriate  
financing to meet  
your specific real  
estate needs.

## Lines of Credit

There are two basic kinds of home equity loans. The difference is how you receive your loan funds. With a home equity line of credit, you borrow the money as needed (up to the credit limit). The interest rate is based on an index, usually the prime rate, plus a margin. The monthly payment is determined by the interest rate and the amount of money you have borrowed against your credit line. Home equity loans are a good safety net for unexpected expenses or emergencies. Another thing to keep in mind is if you do not use the credit line there is no monthly payment.

With a home equity loan, a fixed interest rate product, you get the entire loan amount up front at the closing. The principal and interest payment remains the same for the entire life of the loan. It is an excellent choice for one-time planned expenses or to consolidate debts you already have.

Both options have much lower interest rates than most unsecured credit lines such as credit cards and the interest may be 100% tax-deductible (see your tax advisor for complete details). The closing costs for both are minimal and can be included in your loan/line amount if you would rather not commit any cash out of pocket to your loan. The closing costs increase your new loan's monthly payment only a small amount.

In summary, there are several advantages to home equity loans and lines of credit:

- Reduce your monthly payments by consolidating debts on credit cards and other consumer loans.
- Reduce your tax burden by exchanging nondeductible interest (credit cards and car loans) for loan interest that may be fully tax deductible.
- Obtain funds for investment opportunities, unexpected purchases or emergencies as they come up (lines of credit only). Use the proceeds for specific reasons such as remodeling, college tuition, a new car, or a vacation.

If you are contemplating a mortgage for your home, Joanne Zarro, a Licensed Mortgage Broker at Sterling Mortgage, can assist you with this process. She can be reached at (561) 288-5251.

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