Types of Home Loans – Accessible Version

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Home Purchase
A home loan is made for the purpose of buying a home. It is secured by the home you are buying. That means you could lose your house if you do not repay your loan as agreed.

Home Refinancing
This type of loan replaces an existing home loan by paying it in full and replacing it with a new home loan. A cash-out refinance loan allows you to borrow more money than is owed on the loan being replaced. Homeowners often refinance their home loans to obtain a lower interest rate, to get money for home repairs, or for other personal needs such as investments.

Home Equity
Equity is the current market value of your home minus what you owe (your mortgage loan balance) for the house. A lender may allow you to borrow up to a certain percentage of your home's value, generally up to 80 percent.

Home equity loans allow you to borrow money that is secured by your home. There are two main types:

- A home equity loan can be a one-time loan for a lump sum, typically at a fixed interest rate. These loans are sometimes called home improvement loans.
- A home equity line of credit works like a credit card in that you can borrow as much as you want up to a pre-set credit limit. The interest rate for a line of credit is usually variable, meaning it could increase or decrease in the future.