Types of Home Loans – Accessible Version

If you would like, print this study aid for future reference.

**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.