



Personal or Home Equity Loan for Home Remodels?



The costs of remodeling your home can add up quickly, and can even be exorbitant, depending on the project you take on. According to Remodeling Magazine, a minor kitchen remodel would set you back \$22,507, replacing a roof with asphalt shingles costs an average of \$22,636, and homeowners paid \$47,427 on average for a mid-range bathroom addition.

The fact that remodeling can be so pricey means not everyone has the cash to pay in full. In many cases, homeowners have to borrow the money they need for a project, and most of the time they use a personal loan or a home equity loan. Here's how an article from WiseBread recommends deciding which option is best for your own remodeling project.

HOME EQUITY LOANS

Pros

When you own a home, it's easy to automatically assume a home equity loan would serve your needs best — and you could be right. Home equity loans let you borrow against the value of your home and use it as collateral.

- **Low and fixed interest rates** - These secured loans tend to come with low interest rates and fair terms. Most home equity loans last for 10 to 30 years, making it easy to tailor your loan to your needs and monthly budget. Home equity loans also come with fixed interest rates, fixed monthly payments, and fixed repayment timelines, so they're easy to plan for.
- **Tax benefits** - You may be able to write off the interest you pay on your home equity loan, provided you itemize. While you can't deduct home equity interest if you use your home equity loan proceeds for personal expenses, the interest is still deductible if you use your loan proceeds to "buy, build, or substantially improve" your home, notes the IRS.

Cons

There aren't a lot of downsides when it comes to home equity loans, but there are a few issues to be aware of.

- **You might not qualify** - Depending on how much equity you have in your home, you may not qualify for this type of loan. According to the Federal Trade Commission (FTC), you can typically only borrow up to 85 percent of your home's value across a first mortgage and home equity loan.
- **The possibility of foreclosure** - Second, the fact that you're putting your home up as collateral means you could lose your property to foreclosure if you stop paying your home equity loan bills.

PERSONAL LOANS

Pros

Personal loans are popular for home remodels for a few reasons.

- **Fixed payments and interest rates** - Like home equity loans, they come with fixed monthly payments and a fixed interest rate that will never change.
- **Your home is not collateral** - Since personal loans don't require you to put up your home as collateral, the amount you can borrow isn't tied to your home equity. For that reason, they can be a good option if you don't have a ton of equity in your home but still need to borrow money.
- **Less red tape** - A final reason to consider a personal loan is that there aren't quite as many hoops to jump through when you apply. You don't have to prove the value of your home, for example, and there's typically a lot less paperwork involved.

Cons

While personal loans might be easier to manage and apply for, there are still a couple downsides.

- **You can't deduct the interest** - One issue with using a personal loan for a home remodeling project is that you cannot deduct the interest on your loan on your taxes no

matter what.

- **Higher interest rates** - Personal loans may come with slightly higher interest rates than home equity loans since these loans are unsecured.

Which option is right for you?

At the end of the day, home equity loans and personal loans can both work well for your home remodeling project. They both have fixed interest rates and fixed monthly payments you can easily plan for, and either option could let you borrow enough money to bring your remodeling project to fruition.

[Article source.](#)

Contact us to help you compare your options and determine which type of loan is best for your budget, lifestyle and project. As your member-owned credit union, we're always here to provide honest advice that is in your best interests.

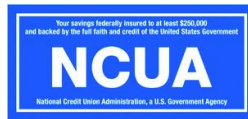




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