



Regions Next Step Podcast

Home Ownership 101: Financing Home Improvements

In this podcast, Abby Willens, a Mortgage Loan Officer for Regions Bank in Birmingham, Ala., talks about the different options for financing home improvement projects.

Tune in through the link below to hear Abby's thoughts on the following:

- How to prepare for home improvement costs
- The common home improvement loan options
- How to choose the best option for your financial situation

Episode Transcript

Narrator:

You're listening to the Next Step podcast "Home Improvement Finance Options," part of our Home Ownership 101 series, presented by Regions Next Step – advice, tools and resources to help you get closer to reaching your unique financial goals. In this episode, we'll be talking with Abby Willens, a Mortgage Loan Originator in Regions Bank in Birmingham, Ala., about financing options for home improvement projects. Abby, thank you for joining us today.

Abby Willens:

Glad to be here!

Narrator:

To start off, generally, it seems that home improvement projects fall into two categories – necessary repairs, such as fixing a roof or a replacing an air-conditioning unit, or improvement projects that may increase the home's value. Think of a remodel or addition.

Regardless of the project, high costs can put a damper on improvement plans. How do you recommend people plan for home improvement costs?



Abby:

The most affordable way to pay for any project is with cash. Before you begin a project, determine how much money you can afford to set aside each week to pay for it. Then, set up an automatic transfer from your checking account to your savings account after each paycheck is deposited. While this may require you to postpone a project, it will grant you the freedom to pay cash.

Some projects, however, are unexpected and you may have to look at other financing options.

Narrator:

Makes sense! So, if you don't have the cash you need to make your repairs or improvements, what options are available?

Abby:

There are four common home improvement loan options: a home equity loan or line of credit, unsecured personal loans, credit cards or financing from the service-provider. Each of these can help you get the needed funds, but they're all a little different.

Narrator:

Okay. Got it. So, what types of documentation are required?

Abby:

Great question. The best option will likely depend on your project and financial situation. Understanding each one can help you figure out which one is right for you.

I'll start with a home equity loan or credit line. Compared to the other three options, these usually provide the lowest interest rates, longer repayment terms and the interest may be tax deductible. However, the approval process can be lengthy as some lenders require income and employment verification, as well as a home appraisal. But once you have established a line of credit, you'll be able to access the money right away.

Next are unsecured personal loans. These may be approved within three or four business days, but the payments and interest rates are typically higher than home equity loans or lines of credit. Also, the terms on these loans are much shorter — usually 1 to 7 years. This can create a much larger monthly payment and may restrict your monthly cash flow.



The next option is credit cards. Credit cards give you an instant access to money which can be crucial in emergencies, but the interest rates may be higher than a home equity loan or line of credit. That said, depending on your situation and need, credit cards may be a good option for financing home improvements. Ideally, credit cards should be used at a level that can be paid off completely each month. Also, if your project costs end up extending beyond your credit limit, it may be too late to get a home equity loan to finish the project in a timely manner.

The last of the loan option is financing from the service provider. While some service and product providers offer financing options, you may find the terms are not usually as good as they are with a home equity loan or line of credit.

Narrator:

That was very helpful, thank you. What else might someone consider when looking into their home improvement finance options?

Abby:

I would say take advantage of government rebates and tax deductions. Additionally, talk to your accountant and investigate other rebates or deductions based on your project. There may be state or federal rebates for energy-efficiency products such as solar panels and high-efficiency appliances. And if you're making your home accessible for someone with a disability, you may be eligible for medical expense deductions.

Narrator:

Those are really good points. Before we go, do you have any tips on working with a banker to help you through this process?

Abby:

Yes. While making your home safe or even comfortable is important, many borrowers experience financial strain each month after their bills are paid. Before embarking on any project, sit down with your banker to talk through your cash flow and debt management plan. Your banker can help you start your project with realistic goals that not only improve your living arrangements, but also your financial well-being.



Narrator:

Abby, thank you for your insights today on home improvement finance options. You can find additional resources including articles, checklists, calculators and more online at www.regions.com/nextstep. No matter your goals, Regions will help you with each step you want to take. Thank you for listening.

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