

The Outlook

THE MORTGAGE CORNER

“Renovations”

With spring comes thoughts of renovations for homeowners. Once the snow melts, you may realize you need repairs to your home, or maybe you'd like to build that deck you've been dreaming of. Or a garage, so you can have a warm car next winter!

With the cost of renovations being so high, it's hard to come up with the cash to pay for everything all at once. Some people may have a line of credit they can use – others may not have access to enough credit to complete what they need done.

A common method of financing renovations is to take out a new mortgage on your home, or to re-write an existing mortgage and add-on the funds needed. This is often done for larger renovation projects, such as building an addition, where the cash required is quite substantial.

There are generally two ways of setting up the renovation mortgage loan. The way it's set up would depend on how much equity you currently have in your home. If you have a lot of untapped equity, you will likely be able to get what you need to finance the renovations on an “as-is” basis. You can take out a lump-sum and renovate however you like, and at your own speed.

However, if the project is a major one and it will substantially increase the value of your home, you may need to set up your loan on an “as complete” basis. The financial institution will want to monitor the funds, to make sure the renovations are completed as initially stated. Generally there is a specified time frame that the renovations must be completed in – usually one year or less.

Interest rates are really low now – and renovations can add a lot of value to your home. It could be a smart move on your part to finance those renovations with a mortgage loan. Speaking to your mortgage broker can help you decide if a renovation loan is right for you.

Midwestern Mortgage