

# Financing Your Remodel

By Gordon Steele



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Photo provided

**D**one properly, remodeling is a great way to improve your lifestyle and possibly increase the value of your home. If your bank accounts are loaded with cash then you can pay as you go. If your savings isn't quite up to the task or you are interested capitalizing on income tax advantages then you'll want to look at financing as an option. Two methods of financing are available for remodeling. The choice of loan will depend mostly upon the cost of the remodel, the amount of current equity in your house and the future value once the remodel is finished.

If your current mortgage is low and your value is high you may be able to finance the remodel with current eq-

uity. Once you know the cost of the project you can work with a qualified Loan Officer to either get a Home Equity Line of Credit (HELOC) or even a cash-out refinance. With strong qualifications you may be able to finance up to 80% of the home's current value. Have the Loan Officer compare the rates and programs to figure out the best programs for the time you want to stay in the home as well as your financial situation.

If there isn't enough current equity but the remodel will dramatically increase the home's value you may need to consider a construction loan. Most construction loans today will replace your current loan with a credit line that rolls into permanent fi-

ancing after completion. While useful, these loans have complicated rules and variations that require a Loan Officer with strong experience in construction lending. For a good introduction to the construction lending process, I highly recommend Building Your Own Home For Dummies (Wiley) written by my partner Kevin Daum. This book will give you all the questions to ask when heading down this path.

Whichever approach to financing fits your needs always consider taking the maximum amount of financing possible. Remember, you won't actually know what your remodel cost until it is complete. Nothing is more dangerous in a remodel project than running out of money in the middle. Resolving such an issue could cost you thousands of dollars or worse, the home itself. Trust a mortgage company and Loan Officer with strong experience in construction and research as much as possible before you start your project. Also contact your Tax Advisor and Financial Planner. An extra day of planning can save you weeks of time and thousands of dollars.

Gordon Steele has lived in Moraga for over twenty-one years. He has an extensive banking and real estate background of nearly forty years. If you have any questions he can be reached at RPM Mortgage at (925) 627-7109 or email at [gsteele@rpm-mortgage.com](mailto:gsteele@rpm-mortgage.com)