





# Home Buying: How to leverage your home's equity

Sound Credit Union  
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# Current Housing Market

- The Puget Sound region continues to be one of the hottest markets in the nation
  - Strong rental market
  - Inflation and rising interest rates
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# Is Real estate still a good investment?

- Real Estate vs. Stock Market
  - Appreciating asset
  - Strong rental market
  - Work from home trend
  - Tax Deductions
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# Home equity loans

- HELOC or Fixed which one is right
  - Can be used to purchase other property
  - Great for home improvement projects
  - Lower interest payments

# Purchasing a multi-unit property

- Great for those trying to enter the real estate Investment Market
  - You can occupy one unit and collect rents to cover all or most of the mortgage payment
  - Easier property management
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# Building home equity

- Increase your down payment
- Make larger and/or additional mortgage payments
- Refinance to shorten your mortgage loan term
- Invest in remodeling and home improvement projects
- Wait for the value of your home to increase

# Paying more principal and less interest

- Making additional/bigger mortgage payments on existing mortgages
- Refinance to shorten the loan term

# Time to refinance?

**Current Loan** ▾

Current loan amount  
\$ 400,000

Current monthly payment  
\$ 2,271.16

Current interest rate  
5.5 %

**New Loan** ▾

New loan amount  
\$ 400,000

New interest rate  
4.75 %

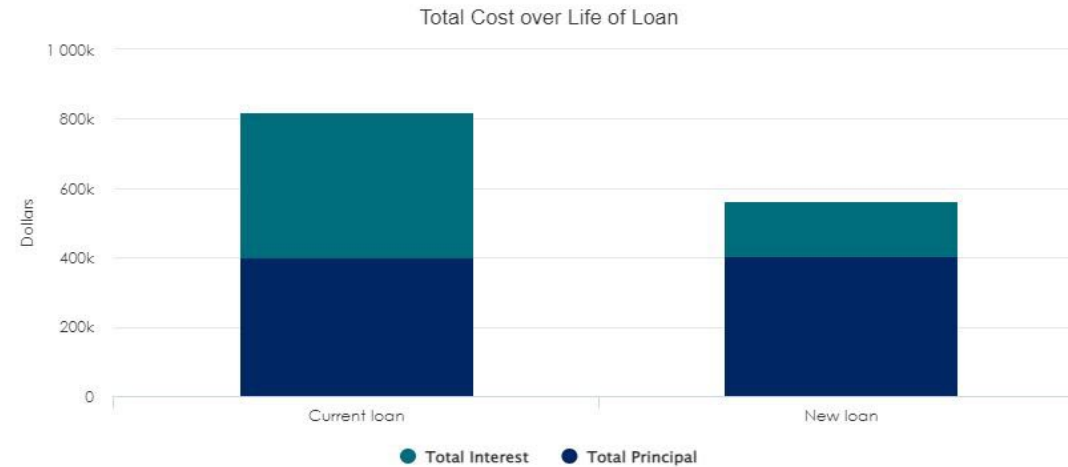
Term of new loan (years)  
15

Closing costs  
\$ 3,111.33

Finance closing costs  
Yes ▾

Current Loan		New Loan	
Loan Amount	Monthly Payment	Loan Amount	Monthly Payment
\$ 400,000	\$ 2,271.00	\$ 403,111	\$ 3,135.53

By refinancing, you will spend an additional \$864.53 per month. While you might want to refinance to pay off other debts or get into a mortgage more suited to your long term needs, you will spend more each month as a result.



The decision to refinance a home mortgage can involve many factors. You might want to take cash out of your home at when you refinance to use for other purposes. But the most common purpose is to obtain a lower interest rate and lower monthly payments. In the latter case, the decision to refinance should be based on lowering the overall mortgage costs and breaking even on the refinance in a reasonable period of time.



# Using existing equity to invest in real estate

- Scenario:
  - \$500,000 purchase price
  - 20% down payment - \$150,000
    - \$100,000 towards the down payment
    - \$50,000 for closing costs & expenses to prepare to rent

Type of Loan	Loan Value	Interest Rate	Monthly Payment
HELOC	\$150,000	.75%	\$1,125
Fixed Equity	\$150,000	5.29%	\$1,208.97

# Calculating a home equity loan payment

**Home Information**

Home purchase price  
\$ 500,000

Down payment  
\$ 150,000

Annual property tax  
\$ 4,500

Monthly HOA dues  
\$ 0

Annual home insurance  
\$ 950

**Loan Information**

Loan term [years]  
30

Interest rate  
6.625 %

Monthly Payment Amount by Term

Loan Amount	Principal & Interest	Property Taxes	Insurance	HOA Fees	Total Payment
\$ 350,000	\$ 2,241.09	\$ 375.00	\$ 79.16	\$ 0.00	\$ 2,695.25



Repayment of a mortgage loan requires that the borrower make a monthly payment back to the lender. That monthly payment includes both repayment of the loan principal, plus monthly interest on the outstanding balance. Loan payments are amortized so that your monthly payment remains the same during the repayment period, but during that time, the percentage of the amount that goes towards principal will increase as the outstanding mortgage balance decreases. Mortgage payments can also include pre-payments of property taxes, homeowner's insurance, and monthly homeowner's association dues into an escrow account, managed by your lender. When those items are due, your lender will make the payment to the tax authority, insurance company or homeowner's association.

# Calculating a mortgage payment

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# Home improvement projects that add value

- Kitchen remodel
- Bathroom remodel
- Upgrade the appliances
- Finish the basement
- Adding a deck/outdoor living spaces
- Curb appeal projects
- Improve energy efficiency

# Home improvements that can negatively affect value

- Swimming pools
  - Luxury upgrades
  - Garage conversions
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# Q & A Time



# Questions? Contact us!



[info@soundcu.com](mailto:info@soundcu.com)



[soundcu.com/home-loans](https://soundcu.com/home-loans)



800.562.8130

**Thank you!**

