



Pay for long-term care: Home equity loan

If you have significant equity in your home, you may want to think about a conventional home equity loan to pay for future needs.

Right now, the interest rate you pay for this type of loan is quite low and this may be an affordable way to finance your needs. A home equity loan is just like any other type of secured loan that you get from your bank or credit union. In the case of home equity loans, however, you are putting up your home as collateral.

There are two types of home equity loans:

- Home equity loan (provides one lump sum and the borrower pays a set monthly amount similar to a home mortgage)
- Home equity line of credit (comes with an approval for a certain loan amount) The home equity line of credit is typically a checkbook or credit card issued with an approved amount in the account. If you use money from the account, you pay back that amount plus interest. Usually you have a period of time during which all you pay is interest. After this initial period, you pay both principle and interest. If you don't use the money, you don't pay anything or, you may only pay an annual fee.

Things to consider about home equity loans

A home equity loan may be an option if you:

- Have significant equity in your home, with low or no mortgage balance.
- Want to stay in your home and your home is suitable for you if or when you have limited mobility.
- Like the idea of getting money that you can use to pay for long-term care services, housing-related expenses such as emergency repairs, or long-term care insurance.
- Need the money quickly.

Other things to think about include the following

- A home equity loan is generally a shorter-term loan and for lower loan amounts than conventional mortgages.
- The interest (on loan amounts up to \$100,000) may be tax-deductible. The tax impact of a home equity loan deduction can depend on your income.
- If you qualify and have the ability to make the required payments now and in the future.
- A home equity loan is similar to an additional mortgage on your home. If you can't make the payments, it puts your home at risk for foreclosure.

- Home equity loans are also risky decisions if your home's value drops. You might end up owing more on your property than it is worth if you have used the maximum loan amount and need to sell the house.
- Study your options to determine whether a home equity loan or a reverse mortgage best meet your situation.

For more information

Check out other fact sheets and the [Minnesota Own Your Future website](http://www.mn.gov/ownyourfuture) at www.mn.gov/ownyourfuture.

Contact the One Stop Shop at 1 (800) 333-2433 or visit www.MinnesotaHelp.info® for personalized, objective assistance in understanding all of your long-term care options. The One Stop Shop does not sell, market or endorse any insurance product, lender or planning service.

If you have a tax adviser or financial planner, talk to them to find out what saving options might work for you. Review information from the IRS including [Publication 936, Home Mortgage Interest Deduction](http://www.irs.gov/publications/p936/index.html) at <http://www.irs.gov/publications/p936/index.html>.