Home equity loans – *are they safe?*

A home equity loan is a loan for a set amount of money. You get the loan by using equity, or value, in your home. Each month, you make payments on the loan to gradually pay it back.

There is some risk involved with home equity loans. If a person doesn't make the payments, the lender can foreclose on their home. But they can be a good way to borrow extra money for home upgrades or other large expenses. Here's what you need to know.

CHOOSE A LENDER CAREFULLY

You can ask friends and family for recommendations. Then, look at what each one offers. Banks, credit unions and other lenders may all have different interest rates. They may also have different payment terms for the loan.

ASK QUESTIONS

Your lender should explain the home equity loan to you. If you don't understand something, ask. Make sure you know:

- The interest rate of the loan
- The monthly payment amount
- Annual percentage rate (APR), which includes fees and other charges
- Fees that may be charged for applying or closing on the loan

GET YOUR CREDIT SCORE

When you apply for a loan, the lender will usually check your credit score. This is a number that tells the lender about your financial history. It includes things like how many accounts you have, late payment history and debt.

Your lender can tell you your credit score when they check it. You also have a right to see a free copy of your credit reports once each year. You can get your free report at **annualcreditreport.com**.

SHOP AROUND

You can talk with more than one lender before you choose one. If lenders know you are looking at other options, this can help you get the best deal.

Ask each lender for the lowest interest rates and fees. You can also ask them to beat the terms of another lender.

READ CAREFULLY

Before you sign, read the loan closing papers. They should match what you agreed to. Don't sign if you're not sure.

Source: Federal Trade Commission