



## The Facts of 125% Equity Home Loans: Part II

Have you heard about a loan program called the 125% equity home loan? If you are a homeowner, the answer is probably yes, because they have been so heavily marketed to consumers over the past few years. The first part of this article described the characteristics of the loan program. In a few words, 125% equity loans are for borrowers with little or no home equity. They allow them to borrow up to 125% of their home's value for personal needs. General requirements include a great credit history, a secure form of income, and a solid job. This article aims to explain the benefits of borrowing a 125% equity home loan.

### **Advantages of 125% Equity Home Loans**

The popularity of these loans indicates that there must be some benefits of pulling out home cash this way. There are, but they come with great risks attached. The advantages include the following:

**Fast Cash** - With a 125% equity loan you get lots of cash, and fast. These equity loans provide a lot of disposable money, usually in a lump sum, to put toward all sorts of projects. Unlike some of the government equity loans or other home improvement loans, you can generally use the cash from your 125 equity home loan for any purpose. **Debt Consolidation** - Another great advantage is that you can use the acquired funds to consolidate your other debts. Many consumers today have debts in the form of credit card balances, student loans, and car payments, among others. These can often have incredibly high interest rates. By using the cash from your 125% equity loan to pay off these debts, you are effectively "consolidating" or eliminating them, and creating one large debt payment. This way you have only one interest rate to deal with and only one creditor to remember each month. This means a simpler financial plan for you. **Help in Financial Crises** - If you have are in the midst of a financial crises, due to unforeseen events such as medical emergencies, divorce, or death, you will need lots of cash to pay the bills. A 125% equity loan can be the right solution for you when there is really no where else to turn. It can help you get back on your feet, until the unexpected debts are paid off and you can handle normal payments again.

Unless you fall into the last category, a 125% loan may not be the best option for you. Emergencies and unexpected financial hardships do happen, but there are lots of safer ways to pay off those your debts. In no case, should you use this program just to have some extra spending cash. You should only use this loan as an option of last resort to sort out your monetary issues. As the next part of this article will demonstrate there are many disadvantages to this loan program. It will show that the benefits of the loan are heavily counterbalanced by penalties. Look for "The Facts of 125% Equity Home Loans: Part III" to get the full details.