

# 5 Ways to Pay for Your Renovation

1. *Use a Home Equity Line of Credit. Typically, you can access up to 80% of the equity in your home. This means that if you own a home worth approximately \$400,000, you should be able to access \$320,000 of the equity. If you currently still owe \$200,000 on your home, you should be able to obtain a home equity line of credit for \$120,000. The rate for a home equity line of credit is typically Prime (3.95%) + 0.50%. This can often be structured without touching your current mortgage.*
2. *Refinance your home. As with a Line of Credit, when you are refinancing you will be able to borrow up to 80% of the value of your home. The benefit of refinancing over a secondary loan like a Home Equity Line of Credit is that the interest rate is much lower (currently under 3%) your payments will be fixed for the mortgage term. If you are planning a major renovation, we can also structure a "Refinance plus Improvements" which allows us to refinance to 80% of the AFTER renovation price of the home!*
3. *Secure a second mortgage. Typically, this is the last option for a home renovation, but in certain circumstances it might be the best way to proceed. A second mortgage leaves your first mortgage in place, which may preserve your mortgage rate and terms. The second mortgage, like the Line of Credit and Refinance, is secured against the remaining equity in your home. Occasionally, second mortgages could go over 80% loan to value and help you secure those additional funds needed!*
4. *Use those muscles! Sweat Equity! One of the largest costs in your renovation will be the cost of labour! To decrease the price of your overall project, consider donating some Saturdays and Sundays to help the project along. Make sure that if any permits are needed, ie: building, plumbing, electrical that you hire a professional, but if you're able, painting, changing fixtures and knobs could drastically improve the look at a small cost when done yourself!*
5. *Save Money. Yup - that's right - just save and save and save. I'm talking myself out of a job here! You may have to cut back on discretionary purchases and find places to save money here and there for a few months. But when you do that, you will be able to pay for your home renovations in full without borrowing from a lender. The obvious downside to using cash is the fact that you may have to delay your project for several months.*

**Key Point: If you are refinancing your home to renovate with the intention to sell, it is essential that you speak to a mortgage broker. Refinancing your home into a 5 year, fixed rate mortgage product at a major bank could result in massive payout penalties when you sell your home in 6-12 months.**