

6 options for funding your next home improvement project

(MS) Before starting a home improvement project, either on one's own or with the assistance of a professional contractor, homeowners must first consider the costs involved. According to the home improvement resource HomeAdvisor, more than one-third of homeowners do not understand what hiring a professional will cost, and then cannot successfully budget and secure financing once they have set their sights on a renovation project.

HomeAdvisor says that some of the more popular projects, such as remodeling a kitchen or bathroom or building a deck, can cost, on average, \$19,920, \$9,274 and \$6,919, respectively.

Homeowners may find that the more expensive renovations require them to secure some type of financing. Those who have never before sought such financing may want to consider these options.

1. Cash-out refinancing

With cash-out refinancing, a person will begin the mortgage process anew with the intention of paying off the current mortgage balance, and then taking out additional funds for other purposes. Cash-out refinancing is a way to tap into a home's existing equity for use on improvements or other expenses, such as college tuition.

2. Home equity line of credit

The financial experts at Bankrate indicate that a HELOC works like a credit card, with the house as collateral. There is a credit limit, and borrowers can spend up to that limit. The interest rate may or may not be fixed. However, the interest may be tax-deductible if the financing is used to improve, buy or build a home.

3. Home equity loan

Individuals also can borrow against equity in their homes with a fixed interest rate through a home equity loan. Most lenders will calculate 80 percent of the home value and subtract a homeowner's mortgage balance to figure out how much can be borrowed, according to the financial advisory site The Simple Dollar.

4. Personal loan

Homeowners can shop around at various financial institutions for competitive personal loans to be used for home improvement purposes. Funds may be approved within one business day, which can be ideal for those who want to begin their improvements soon.

5. Personal line of credit

A personal line of credit allows borrowers to borrow only the money needed at the time, and offers a variable interest rate that is generally lower than fixed loan rates. Again, like a credit card, PLOC gives a person a maximum borrowing amount and is ideal for ongoing purchases.

6. Credit cards

In a pinch, credit cards can be used to finance improvements, but they do come with the cost of very high interest rates if the balance is not paid in full by the time the bill comes due. However, for funding smaller projects and maximizing rewards points through home improvement retailers or specific credit card company promotions, credit cards can be a way to earn various perks in addition to the benefit of improving a home.

Flipping luxury homes is growing in popularity — for now

Investors are taking on bigger projects and finding an increasing appetite for flipped high-end homes.

In 2018, 2.6 percent of homes valued at over \$1 million were flipped, compared to 2.2 percent in 2017, according to data from realtor.com®. Realtor.com® analyzed markets where at least 20 flipped homes sold for more than \$1 million from January to October 2018. They defined flip as a home that sold twice for a profit within a year.

The markets seeing some of the largest number of luxury housing flips are in California, particularly the Los Angeles, Long Beach, and Anaheim areas, with the percentage of luxury home flips increasing from 3.4 percent in 2017 to 4 percent in 2018.

"It was one of the fastest-growing luxury markets last year overall, so it's a function of sales being higher and growing at a healthy pace, which can result in flips growing at a healthy pace," Javier Vivas, director of economic research at realtor.com®, told Mansion Global. "The share of inventory above \$1 million in Los Angeles is large, too, and above most other markets."

International buyers are targeting the area for flips as well, says Santiago Arana, a broker with The Agency in Los Angeles.

"L.A. has finally become a worldwide, destination city where wealthy



Daniel Barnes - Unsplash

people want to invest in real estate," Arana told Mansion Global. "Tech companies are moving in, there's been a gigantic investment in the new football stadium, George Lucas is opening a new museum, and there is incredible growth and development downtown."

While flipping homes in the luxury sector is on the rise across the country, activity is still lower compared to a decade ago, says Vivas. Luxury home flipping in many markets could

taper off though this year, too. Housing analysts point to changes in the U.S. tax code from last year that could make investors more reluctant to take on bigger purchases this year.

"Buyers and sellers are adjusting their expectations," Vivas says. "We're already seeing a lot of that with price reductions and increases in the amount and types of price cuts happening above the \$1 million mark."

Source: National Association of Realtors

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Realty & Auctions of WV
D. Anthony Kaufman, Broker

Kaufman Realty & Auctions of WV
www.kaufmanbid.com
399 W. Main St.
Bridgeport, WV 26330
David Anthony Kaufman, Broker
License #WV0030037

Wayne Yoder - Auctioneer/Agent
Wayne@KaufmanRealty.com • Cell# 304-931-1285
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