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# How To Get a Second Mortgage



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If you have large expenses coming up, a second mortgage may be a viable option. Here's how to apply for one.

To complete this How-To you will need:

- A home appraisal
- A computer with internet access
- A credit report
- Your gross monthly income
- Mortgage lenders

**Step 1: Get an appraisal**

Contact a real estate broker for an appraisal of your home, or search online for "home appraisal" for a free estimate.

**Step 2: Use credit score to determine interest rate**

Request a copy of your credit report from [annualcreditreport.com](http://annualcreditreport.com). You are eligible for one free credit report per year. Visit a lender to receive your credit score, and to estimate how much interest you will be paying for your second mortgage. Expect lenders to offer lower interest rates if you have a high credit score.

Tip: Check your credit report carefully, and dispute any errors in writing to the credit reporting agency.

**Step 3: Know your future plans**

Know your future plans. Be aware of market downturns when you plan to sell your home, or you risk losing equity if the housing market drops and are forced to sell at a loss.

**Step 4: Assess your situation**

Determine if you can afford a second mortgage payment. Remember the rule of thumb that housing costs should not exceed 28 percent of your gross monthly income.

**Step 5: Choose a mortgage loan plan**

Decide if you want a home equity loan or a home equity line of credit (HELOC). Choose a home equity loan if you need a set amount of funds in a lump sum, or HELOC when you need access to funds over a period of time when needed.

**Step 6: Search for the best deal**

Consult with several mortgage lenders to find out the down payment amount and costs of the loan. Shop,

compare and negotiate the prices to get the best deal and save money.

#### Step 7: Choose your mortgage payment rate

Determine whether a fixed rate or adjustable rate mortgage is right for you. Consider a fixed rate mortgage if you intend to keep your house for a long time and want to pay the same interest and monthly payments throughout your loan term. Choose an adjustable rate mortgage if you plan to sell your home within a short amount of time.

#### Step 8: Seek professional advice

Get free professional advice through the U.S. Dept. of Housing and Urban Development at HUD.gov for any other questions or concerns before signing a mortgage.

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