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# **Second Mortgages - is This a Bad Thing ?**

A second mortgage just means that it is the second loan that is secured against your home. This is not a good thing to have as you not only have a lot of debt to pay off, but your home is at risk if you could not pay off your loans completely.

The interest rates are higher on the second loan but the bank charges will be less as there is already a loan registered on your name. To qualify for this loan is much the same as qualifying for the first loan. Your credit history will be checked and you will have to answer a questionnaire about your employment status and your monthly income and expenditure. The money can be paid to you in a lump sum or you can open a line of credit and use the money as you need it.

Very few banks give prospective property buyers a loan for the full purchase price of the property. The balance has to be paid by the buyer in cash. If you did not have a deposit and you discovered the home of your dreams you would want to buy it immediately as the seller would not want to wait for you to first save up a deposit. In a case like this the bank would allow you to take a second mortgage to pay for the deposit. In a case like this it justifies taking a second loan on your home.

The loan can be used for home renovations. There are always repairs and improvements that must be made on the home. The cost of building is very high and it is better to borrow the money and get the jobs done than to put it off while you are saving the money. Before embarking on home improvements, first get quotes from the building companies and building suppliers concerned so that you know what the project will amount to. This will help you budget and not waste any money. The line of credit will work well in this case as you can pay for labor and building material as you need to. The line of credit works much like a credit card.

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