



Considering Home Renovations? Choose From a Range of Financing Options

Renovating your home can be an exciting way to put your personal stamp on your family's living space and increase its value.

There are a range of sensible financing options available to help you budget for any project. A mortgage agent can explain what approach is best for you, and introduce you to some innovative and simple ways to get you started on making the most of your home.

The main ways to finance home improvements are cash, credit cards, a home equity line of credit, a mortgage which includes the costs of renovations, or refinancing one's current mortgage.

Smaller projects

For smaller jobs under five thousand, it may make sense to simply use cash, or perhaps a credit card. Keep in mind, however, that credit cards and payback plans offered by retailers often involve high interest rates.

Medium-sized projects

For more ambitious home renovations – costing from five to twenty thousand – a home equity line of credit allows you to conveniently withdraw funds to purchase materials as you wish for a set period. Lines of credit secured by cash or a mortgage usually have an interest rate much lower than with credit cards.

Large projects

For large home improvement projects, it can pay to restructure your mortgage. Indeed, mortgage rates continue to be near their lowest levels in decades, making this the most cost-effective source of funds.

You may also wish to consider consolidating a range of higher interest borrowings (credit cards and car payments, for example) at the time of your mortgage refinancing, thus reducing your interest rate and monthly payments.

Another home renovation financing option is a “purchase plus improvements” mortgage. In a hot real estate market, where there might be a shortage of listings, this program allows homebuyers to buy and renovate to get the home they want.

A mortgage professional can look carefully at your financing needs and advise you on how best to secure additional mortgage funding. Best of all, mortgage refinancing offers a plan to reduce your debt – after the elapsed amortization period, your balance is zero.

The Value of Renovations

The good news about renovations is that the money you spend can increase your home's value. According to the Appraisal Institute of Canada a "payback range" for common projects may be estimated:

Basement Renovation – 50% to 75%
Bathroom Renovation – 75% to 100%
Install Central Air Conditioning - 25% - 75%
Fireplace installation – 50% to 75%
Kitchen Renovation – 75% to 100%
Skylight installation – 0% to 25%
Build a deck – 50% to 75%

For more details visit the Appraisal Institute of Canada's website at www.aicanada.ca and see their Resource Centre for the RENOVA interactive guide to the value of home improvements.