

1st & 3rd Tuesdays of the Month

EXPERT

ADVICE

provided by a panel of local

experts in your community

Advice on FINANCIAL SERVICES

What is Home Equity?

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Homeownership can be a source of security and stability, and it can build wealth for the owner over a period of time through equity. But what is home equity and how can it be used?

What is equity?

Basically, equity is the difference between a home's market value and the amount you still owe on your mortgage loan. Equity is the portion of a home's current value that the owner possesses. To calculate home equity, subtract the amount of the outstanding loan balance from the current value of the home. In other words, you'll have 100% equity in your home once the mortgage loan is paid off.

How does equity accrue?

Equity accrues as the principal balance of your mortgage loan decreases and the value of your home increases. Making regular and timely payments will steadily bring the amount of the mortgage loan down, and with sturdy appreciation, the equity of the home will steadily increase. While property values can go up or down over time, the likelihood of the value increasing is greater, therefore increasing the overall property value and the equity. In addition, if the home is located in a neighborhood where property values are increasing, the amount of your equity will also increase. Making regular improvements to your property may also increase its value.

In addition, you can:

- Pay more than the monthly mortgage payment, if possible;
- Make regular improvements to your home;
- Educate yourself on changes that may boost your equity.

How can I use my equity?

Homeowners can leverage their equity as collateral to secure low-cost funds for their financial needs.

Here's how.

- Home equity loan—allows you to borrow a certain amount of money against the home's current equity for a fixed rate over a fixed period. These loans are typically used to finance large expenditures such as home repairs, big-ticket purchases, college tuition or pay off high-interest debt.

- Home equity line of credit (HELOC)—a revolving line of credit that allows you to borrow up to a certain amount over a period of time while paying off the balance. As you repay your outstanding balance, the amount of available credit is replenished, much like a credit card.

- Cash-out refinance—allows you to get a mortgage loan that is larger than the existing mortgage and then pay off the existing mortgage loan. The remaining money can be used for any purpose.

Other ways to use equity:

- Pay off credit card balances. Rates on home equity products are typically much lower.
- Pay for bills or projects with home equity funds instead of using credit cards or personal loans.
- Possibly cancel your private mortgage insurance earlier than required.

Overall, the biggest benefits of building equity in your home are paying off the original mortgage loan and borrowing money against it. For more information on building equity and home equity loans, call First Keystone Community Bank at 570-752-3671 or visit www.fkc.bank.



Advice on ESTATE PLANNING

What Documents Are Required for a Medicaid Application?

C. Brian Crane, Esq.
Certified Medicaid
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Medicaid is a state-run program which helps pay for the high costs of long-term care for qualified individuals. In general, applicants must have limited income, limited resources, and a medical condition that warrants skilled care.

Documents that Prove Your Eligibility

States require applicants prove that they meet the eligibility requirements. In addition to needing to provide identifying information such as proper identification and proof of citizenship, the following are some documents that you may have to provide to the Medicaid agency when applying for benefits:

- **Proof of income.** A copy of any pay stubs, Social Security statements, and/or pension checks; income tax returns for the past five years; and verification of any other sources of income, for example, rental income or dividends.

- **Bank records.** Copies of bank statements for the past five years.

- **Property.** A copy of the deed to any property owned within the past five years and a copy of the most recent property tax bill.

- **Retirement accounts.** Statements for the past five years of retirement accounts.

- **Insurance.** Copies of any insurance policies, including health insurance, life insurance, and/or long-term care insurance.

- **Car registration.** Registration information for any cars owned by you.

- **Burial arrangements.** Copies of any prepaid funeral contracts or deeds to burial plots.

The state may use an electronic database to verify some of the information. Intentionally giving false information is a serious offense.

The Medicaid Lookback Period

The state looks back five years to determine whether you transferred assets for less than market value within five years of applying for Medicaid. Applicants who gave away assets may be subject to a period of ineligibility.

Not all assets will be counted against you for the purposes of Medicaid eligibility. Personal possessions, one vehicle, your principal residence, and prepaid funeral plans are "noncountable" assets. However, the state will likely still request information about these assets.

After you begin receiving benefits, you are not done. Medicaid reviews your income and assets every year to ensure that you are still eligible. This could involve electronic verification or submitting more documentation.

The Medicaid application process is complicated. Submitting an application without an attorney's help, particularly if you are applying for nursing home benefits, may be risky. The process generally takes several months as Medicaid keeps asking questions and demanding further documentation for the answers provided. Pro-tip: having a qualified elder law attorney guide you through the application may alleviate the common frustration and confusion that often result when individuals apply for Medicaid without professional guidance.

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