

BUILDING HOME EQUITY: A GUIDE FOR SAVERS



Your home is more than a place to live—it’s a powerful financial tool. Building equity in your home can help you create long-term wealth, prepare for future goals, and build financial security.

WHAT IS HOME EQUITY?

Equity = Home Value – What You Owe.

It’s the portion of your home that you truly “own”. It’s the difference between what your home is worth and what you still owe on your mortgage.

It increases as:

- You pay down your mortgage
- Your home value rises

For example:

If your home is valued at \$250,000 and you owe \$200,000 on your mortgage, your equity is \$50,000.



Why Building Equity Matters

- Helps you grow long-term wealth
- Acts as a financial cushion in emergencies
- Can support big life goals—like home renovations, college costs, or retirement
- Builds stability and increases your net worth



Everyday Ways to Build Home Equity

You don't have to make big moves to make progress. These steady, practical steps can help you grow your equity over time:

1. Make Regular, On-Time Mortgage Payments

- Each payment chips away at your loan balance and builds your equity.
- Automating your payment can help you stay consistent.

2. Add a Little Extra Toward Principal When You Can

- Even small extra payments—monthly or yearly—can add up fast.
- Use bonuses, tax refunds, or side hustle income to make an additional dent in your loan.

3. Consider Home Improvements That Add Value

- Focus on upgrades that offer strong return-on-investment (ROI) like energy efficiency, minor kitchen updates, or landscaping.
- Avoid over-improving beyond neighborhood standards.

4. Stay in Your Home Longer

- Housing markets generally trend upward over time. The longer you own your home, the more likely you are to benefit from appreciation and increased equity.

5. Avoid Borrowing Against Your Equity

- While home equity loans can be helpful in some situations, using them too often can eat away at your progress. Use with caution and a clear plan.

6. Refinance Carefully

- If interest rates drop or your credit improves, refinancing might lower your monthly payment or shorten your loan term—helping you build equity faster.
- Just make sure to weigh closing costs and fees.

