

Releasing equity from your home

Audio transcript

Equity is the difference between the current value of your home and the amount you owe on your mortgage loan.

If you have equity in your home, you may be able to borrow more money from your current lender or take out a bigger mortgage with a new lender.

This additional money can be used for a number of things, such as financing home improvements, and is known as releasing equity.

For example:

Ben and Alisha bought their house several years ago and have plans to renovate their kitchen. A recent valuation found their home to be worth £235,000, and they have a mortgage of £141,000.

The difference between their property's value and their mortgage is called the loan to value ratio.

Ben and Alisha have a loan to value ratio of 60% - the remaining 40% is equity.

Ben and Alisha can release some of their equity and generate enough cash to pay for their home improvements.