



ECFH Financially Speaking

East Caribbean Financial Holding Company Limited

This week, we continue our look at terms associated with mortgages and so present another word whose meaning is important for prospective and existing property owners. This week's term is: **Equity**

Equity is a homeowner's financial interest in a property. It is the difference between the fair market value of the property and the amount still owed on its mortgage. For example, if a homeowner's property is valued at \$200,000.00 and he/she owes the bank \$50,000.00 for that property, then that homeowner has \$150,000.00 worth of equity in that property.

What does this mean for you?

Equity is a valuable financial asset for you as a homeowner because you can use it as security or collateral for another type of loan. For example, if you have children and you would like to pay for their tertiary education, you can use the **equity** that you have acquired as collateral for an education loan on their behalf. Clearly, the more **equity** that you have built up, the greater financial latitude it gives you to pursue other financial goals. This is another reason that it is advisable that you try to acquire property as soon as you can so that you begin to build equity as quickly as possible.