



Protect and Manage Your Home Investment

Obtaining adequate insurance

Consult with your insurance agent regarding the types and amount of coverage you need. Here are some factors to keep in mind:

- Typically, homeowner's policies cover you for damages or losses caused by occurrences such as theft, fire, vandalism, or wind. But if you want to be covered for other disasters, such as earthquakes, you may have to purchase extended coverage. Flood insurance requires a separate policy.
- Consider whether you want replacement coverage for your home and its contents. This may cost more, but if your property is damaged or destroyed, you can make a claim for the full cost of repair or replacement.
- Consider how much liability insurance you need. If someone is injured on your property, liability insurance allows you to file a claim to cover costs such as medical expenses.
- You may be able to save money by buying homeowner's insurance from the same company that carries your car insurance.

Using your home equity

As you make mortgage payments through the years, you build home equity. Equity is the difference between how much your home is worth and how much you still owe for it. You may be able to borrow against that equity. Two ways to borrow using your home as collateral are:

- **A home equity loan (second mortgage)**, which is a loan that is secured by your home and is similar to your first mortgage. It must be paid back within a certain length of time. Borrowers often use the money for a specific purpose (for example, remodeling the house), and the interest rate is usually higher than on a first mortgage.
- **A home equity line of credit** also uses your home as security and provides a revolving credit line. You might use this credit to pay for major repairs or home improvements, or for investments in your future, like college education.

Because these debts are secured by your home, part of the interest you'll pay is often tax deductible, regardless of how you spend the money. (Check with your tax advisor.) But remember, just as with your first mortgage, if you don't repay these loans on time, you risk losing your house. So be conservative in your use of home equity loans and lines.

Refinancing your home

If interest rates fall substantially below the level of your current mortgage, you may want to think about refinancing your home. Refinancing can let you take advantage of a lower—or better—interest rate and may reduce your mortgage payment. It's also another way to turn your home equity into cash. Here's how refinancing works:

Protect and manage your home investment (continued)

Refinancing your home (continued)

- You take out a new mortgage loan and use the funds to pay off the mortgage loan you currently have. If the interest rate on your new mortgage loan is lower, your monthly payment also could be less. Even if you refinance using the same lender that financed your original mortgage, you will go through closing and pay closing costs again. Still, if the mortgage interest rates are low enough or you need to take a lump sum of cash out of your home investment, the cost of refinancing may be worth it over the long term.
- If your goal is to get a better rate, refinancing makes sense if you stay in the home long enough to recover the costs of the new loan. The difference between your current rate and a new, lower rate doesn't have to be large for refinancing to make sense financially. Check with your home mortgage consultant or use an online refinance calculator to help you determine if refinancing would be worthwhile in your circumstances.

Avoiding foreclosure

If you're a homeowner, you have probably invested a great deal of time and money in the purchase of your home. It's most likely one of the largest financial investments you'll ever make. You must make your monthly payment on time or you'll risk losing your home and the money you have invested through foreclosure. In a foreclosure, the lender becomes the owner of your home and you must move into other housing. The lender might also pursue you through the courts for money you still owe on your mortgage loan.

Even the most reliable borrowers sometimes fail to meet every payment on its due date, and it's possible that there's a good reason for a late payment, such as a reduction of earnings or illness in the family. If you're having problems making your monthly mortgage payments, call your lender immediately. If you do, you might avoid losing your home through foreclosure.

Take immediate steps to save your home:

- Call or write your lender.
- Call a housing counseling agency and arrange an appointment.
- Call your HUD or VA office, but only after you've contacted your lender or a counseling agency and they cannot help you.
- Cooperate fully with whichever source of help you contact.
- Inquire about payment assistance.
- Pay the delinquent amount, if possible.
- Try to negotiate an agreement giving you more time to catch up on overdue payments and postpone foreclosure—known as a forbearance agreement.
- Talk to your lender about a loan modification (an agreement to establish a new repayment schedule for your mortgage) or loan assignment, if you have a Federal Housing Authority (FHA) mortgage.
- Research your bankruptcy options.

We invite you to contact Wells Fargo for further information and assistance. Visit our Web site at wellsfargo.com or any Wells Fargo store.