Hi everyone, Jerry Manor here. Today on SeaComm Money Matters… home equity.

Home equity is the difference between the amount you owe on your mortgage and what your home is worth. It's the amount of your home that you own. The amount of equity in a house should grow over time as you make payments and if your property's value increases.

In other words, home equity is your property’s current market value minus any loans on the property. A legal claim against your property called a lien can also decrease your equity.

Home equity is an asset that you can borrow against to meet important financial needs such as paying off high-cost debt or paying college tuition.

You can have immediate equity in a house when you make a down payment. After that, the equity continues to grow as you make payments. A portion of each payment includes interest and an amount that goes to the principal reducing the amount you owe and increasing your equity.

Another way equity can grow is goes up in value otherwise known as appreciation. If your property declines in value or depreciates, you can lose equity. You can also lose equity if you take out a second mortgage or Home Equity loan or line of credit using your equity as collateral.

Equity calculation is fairly simple, it is the difference between what a home is worth and what's owed on any loans or liens.

To calculate your home equity, first get an estimate of your home's value by researching the value of homes like yours in your neighborhood that have recently sold, find out what you owe and do the math.

If your home is worth $150,000 and you still owe $90,000 on your mortgage and there are no other loans or liens against it, your equity is $60,000.

When you buy a home, making a down payment will give you instant equity. Say you buy a home for $100,000 and you pay 20% down you have $20,000 in equity. If the house's market value remains constant over the next two years, and make $2000 in payments that are applied to the principal, you would have $22,000 in home equity at the end of the two years.

If the home's market value had also increased by $10,000 over those two years, you would then have $32,000 in home equity.

Once you understand the benefits of home equity, you may want to focus on building it. To do that you could: Make larger down payment for immediate equity.

Be sure to make every mortgage payment on time and try to pay more than the minimum amount required, just make sure that the extra payments are applied to the principal of the loan.

You can also make improvements to your home that add value to it. But, not all changes you make will boost its value, so do your research.

Stay in your home to take advantage of any increase in its value. The longer you're in it, the more likely you'll see some appreciation. That adds to your equity and net worth.

Speaking of net worth, that's a good number for you to know, basically it's *the* value of all assets, minus the total of all liabilities. What you own minus what you owe. A positive net worth means you're ahead, while a negative one shows you've got some work to do. Since each person's financial situation and goals are unique, it is difficult to establish a generic "ideal" net worth that applies to everyone. Instead, you will have to determine your ideal net worth—where you want to be in the near-term and long-term future.

That's it for today on SeaComm Money Matters. I'm Jerry Manor, have a great weekend everyone.