



# YOUR GUIDE *to* HOME IMPROVEMENTS



## The MHV Guide to Home Improvements







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As a homeowner, you probably have a laundry list of home improvements you'd like to make. Determining which projects are necessary and will provide the best return on your investment can feel overwhelming. Home improvement projects can be a tremendous tool for increasing the value of your home. However, given the size and relative complexity of these projects, it is very easy for the cost to quickly spiral out of control. That's why it's so important to establish a budget for the project before it begins and to do everything you can to adhere to that plan.

Our guide is designed to provide you with some constructive tips for building the best possible home improvement budget and also help you understand financing options.







# TO HELP LOWER THE COST of YOUR REMODELING, FOLLOW THESE FOUR EASY STEPS

## 1 Create a Plan

Before you get started with your remodeling and renovations, make sure you have a plan. Follow these tips for efficient improvements:

1. Create a strict budget before you begin.
2. Factor in unexpected expenses at 20%.
3. Make sure your project will increase the value of your home.
4. Get several contractor estimates and quotes.
5. Maintain a consistent vision based on your budget.

When developing your budget, make sure you consider long-term costs, not just short-term gains. Consider the cost of upkeep of your renovations—will it be worth it?

Time your plan wisely—schedule projects during off seasons. Since summer and early fall typically are when most home improvements are done, do your remodeling during the winter or spring if you want lower prices for contractors.

Consider living quarters during your renovation. It might be quicker and cheaper to move out during renovations. Without you or your family residing in the house, your contractor (or yourself) can work more efficiently and won't have to worry about other people trying to use the kitchen or bathroom.



## 2 Get Quotes and Advice

Before purchasing items or deciding to do the remodeling yourself, get at least three quotes from different companies. This will help you determine if it is in your budget and if it is possible to do it yourself or better to get a professional. Also, don't be afraid to ask for discounts.

### 3 Use Your Budget Wisely

When deciding where to begin, prioritize the project. Prioritizing will give you the greatest return on your investment. You may want to consider when determining your project which improvements will be most attractive to the general population of home buyers. Many times the improvements that will help your home sell quickly and for top dollar later are pretty unglamorous today. For example, a new water heater or fixed roof may seem pretty mundane now, but it can make a huge difference in how secure a prospective buyer feels about your property in the future.

According to a 2016 report by Remodeling Magazine<sup>1</sup>, these are the highest value projects to focus on:

- Wood deck addition – 75%
- Basement remodel – 70.4%
- Bathroom remodel – 65.7%
- Major kitchen remodel – 64.9%
- Master suite addition – 64.1%

Focus on only one project at a time — don't overspend or stretch your budget. Shop at discount websites and overstock home improvement stores.

If you don't mind using products that are not the top-of-the-line, there are many ways to save money: buy mis-tinted paint and carpet remnants, or shop the scratch and dent sections for appliances and products. Look for discontinued items that are marked down.

Try to repurpose and remix what you already have. Many electronics can still be reused. Decorations can be changed to fit in with the new theme.

Source: 1- "2016 Cost vs. Value Report." Remodeling. [www.remodeling.hw.net/cost-vs-value/2016](http://www.remodeling.hw.net/cost-vs-value/2016) (accessed July 25, 2017)





## 4 Do It Yourself

If you are going to do it yourself to save money, rather than pay a contractor, make sure you do research. Ask professionals you know for advice and use your family and friends' skills to help you with your remodeling. Make sure you do plenty of research before you begin a project and be sure to determine if permits are required.

For plumbing, if it is newer and has no damage, don't replace it. Don't bother with replacing your tile — it's not worth it to reuse it or DIY it because it could crack and cause more expenses than it's worth.

Make sure your light fixtures are in decent shape and pass the residential code. If they are, there is no need to replace them — just use higher quality light bulbs.

One of the best, yet least expensive renovations you can do to your home is to bring in more natural light without adding more windows. Paint the walls white and add decorative mirrors to the wall. Instead of purchasing newer or brighter cabinets for your kitchen, paint them white and just buy new handles. Have open-view windows without any cross-bars or beams.

**There will be hidden costs in any remodel project. But, if you take your time and plan it, you can easily avoid some of the headaches the unexpected causes. Aside from the tips above, the best piece of advice that anyone beginning a new remodeling project can hear is, "expect the unexpected."**



# USING HOME EQUITY *for* HOME IMPROVEMENTS

If you don't have the savings to complete a major home improvement project, using your home equity to fund your project is the most common application of these types of loans and lines of credit. If you have a concrete plan for how long you'll be living in the house you own, you can better determine which renovations make the most sense and when. For example, if the market value of your home rises, you have a larger equity cushion, which may make a home improvement more attractive. Additionally, as you are nearing the end of your homeowner lifespan and are beginning to make plans to sell, you could make improvements to potentially raise the selling price of your house.

## What is Equity?

When you buy a home, you generally take out a mortgage, which covers the cost of the home after your down payment. As the years pass and you pay down your mortgage, you own more and more of your home. The more home you own, the more equity you have.

## How to Calculate Equity

This simple calculation is home value minus amount owed. Thus, if you have a loan of \$180,000 on a home that is worth \$200,000, your home equity is \$20,000.





## Determining Home Value

Since home value can go up and down based on the current real estate market, your home's value may not be what you actually paid for it. A good way to gauge the current value of your home is to check a real estate web site that estimates the current market value of homes. You'll just do a search for your address and the site will tell you your home's approximate worth.

## The Limits of Borrowing

Generally, you can borrow against up to 80 percent of the loan's value minus your mortgage amount. Thus, if your home is worth \$200,000, your mortgage plus any home equity loans can't total more than \$160,000. If you currently owe \$150,000 on your home loan, you may only be able to borrow up to \$10,000. It doesn't matter how much your mortgage was originally, what matters is only what you currently owe.

## Appraisals

There are a variety of appraisal methods, with price points up to a few hundred dollars. Methods range from computerized models to actually having an appraiser come out and review your home to determine its value. When you call the first lender you're considering, they'll tell you if an appraisal is needed and, if so, what it will cost. Comparing appraisal requirements among lenders should be part of your comparing loan options process.



# TEN WAYS *to* AVOID HOME IMPROVEMENT BUDGET KILLERS

1. Don't add "while we're at it" jobs that weren't a part of the original budget/plan.
2. Stay away from cheap materials or corner-cutting measures that will just mean paying more later.
3. If you are doing the work yourself, learn the entire process before you start instead of using a "learn as you go approach."
4. Let your contractor know you aren't interested in the top-end, luxury versions of goods and materials.
5. Check service ratings websites before hiring your contractor.
6. If you are doing some pre-home sale upgrades, give yourself plenty of time so you don't have to pay for rush work or overtime.
7. Consider refurbishing certain items instead of tearing them out and replacing them.
8. Exercise your creative abilities and look for ways to use materials found at architectural salvage stores.
9. To avoid paying storage fees for any work-blocking household items, have a plan ahead of time for housing in-the-way furniture during the project.
10. Ask your contractor – you don't want to miss out on potential savings because you failed to communicate.



Home improvements are one of the few things you can control about the value of your home. So be sure to do just that and take control of the process rather than letting it become a series of money pits. As long as you create a plan ahead of time and do your best to stick with it, you can have a rewarding process and a more desirable property.

At MHV, we are committed to guiding you to discover your financial possibilities, wherever that may be. Need advice on paying for home improvements? Contact us for more information about home improvement loans and home equity loans.



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