

HOME IMPROVEMENT FINANCE

Pool Financing : 6 ways to know in advance

Last updated 06/25/2021 by [Jennifer Xue](#)

You've decided to [build a swimming pool](#) in your backyard. Congratulations! Now all you have to do is pay for it. But is it better to pay with savings, or get a loan? If you're unsure how to [finance a home improvement loan](#) like a pool, here are six options to consider.

1. Personal loan

If you have good credit and a solid income history, you can take out an unsecured personal loan. The application process is simple, and you won't have to supply collateral.

With a high enough credit score, you can lock in a fixed interest rate for the duration of the loan. The shorter your loan term, the more favorable your interest rate.







You can also combine several personal loans from multiple lenders to better fit your budget. Once the lender(s) approve your request and the funds are in your bank account, you can use them to purchase the pool installation.

If your credit is unimpressive, you may want to consider a secured loan. These loans are backed by collateral, so they're easier to acquire for applicants with low credit scores. Just be sure to make your payments — if you default, you could potentially lose your possessions.

Different personal loans come with different rates, fees and requirements, so check out what the [best personal loans](#) are to ensure that you choose the best option for you.

Compare personal loans

Lenders that offer home improvement loans

| DESIRED LOAN AMOUNT | CREDIT SCORE | STATES OFFERED | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|-----------------|---------------------------|
| \$ Enter filter value | Enter filter value | California | |
| PRODUCT | REVIEWS | APR | LOAN AMOUNT |
|  Strongly recommended 153 View 187 Reviews | 5.94% - 35.97% ⓘ Fixed APR | \$1K - \$50K ⓘ | Apply Now |
| Get Competing Personal Loan Offers Compare real offers from multiple lenders. It's quick, free and won't hurt your credit score! Get Personalized Rates | | | |
|  Strongly recommended 21 View 23 Reviews | 5.99% - 17.99% ⓘ Fixed APR | \$600 - \$50K ⓘ | Apply Now |
|  Mostly recommended 13 View 20 Reviews | 4.99% - 35.99% ⓘ Fixed APR | \$2K - \$50K ⓘ | Apply Now |
|  Strongly recommended 620 View 701 Reviews | 9.95% - 35.99% ⓘ Fixed APR | \$2K - \$35K ⓘ | Apply Now |
|  Strongly recommended 233 View 313 Reviews | 59% - 160% ⓘ Fixed APR | \$500 - \$4K ⓘ | Apply Now |
|  Mostly recommended 63 View 99 Reviews | 4.99% - 19.63% ⓘ Fixed APR | \$5K - \$100K ⓘ | Apply Now |

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[Compare all personal loans](#)

2. Home equity line of credit (HELOC)

If you have a good first mortgage, consider getting a [HELOC](#) — a loan in which the collateral is your equity in your home. You can use this line of credit as needed, and pay it off at any time. In the past, homeowners could borrow up to 100% of the available equity. Today, 80% to 90% is allowed. Most HELOCs are good for 10 years and are renewable.

What's the catch? A HELOC uses your home as a collateral, and its interest rates fluctuate with the real estate market. Moreover, when prime rate increases, your monthly payment increases as well.

3. Home equity loan

A [home equity loan](#) is similar to a HELOC in that you're borrowing from your home equity. But a home equity loan delivers the funds as a lump sum rather than a line of credit. It also offers fixed rates (unlike HELOC's variable rates) for a set period — anywhere from five to 30 years. Borrowers can enjoy tax benefits with this type of loan, as it's considered a second mortgage. For those who wish to receive a fixed amount of monthly bill and tax benefits, this loan is a good choice.

However, just like with a HELOC, you are using your home as collateral. Moreover, when the property value goes down, like in 2008, you may end up with a high balance without equity or with negative equity. The maximum loan you can receive is up to 90% of the home equity.

4. Mortgage refinance

[Refinancing](#) a loan is when you pay off an old loan with a new one, ideally with more attractive terms. You can choose to pay a fixed rate instead of an adjustable rate, or pursue a longer or shorter loan term. It's ideal for people who want to pay a lower monthly mortgage payment without the hassle of paying a second mortgage or a line of credit.

It's also ideal for people with limited cash at hand who want to cash out equity for a large purchase (in this case, is a swimming pool). But be aware: when you applying for a new mortgage, you'll have to pay for refinancing costs, which can be anywhere from 3% to 6%. Don't refinance unless your savings will surpass these losses.

5. Pool company financing

Many pool companies offer swimming pool loans or payment plans, whether through their own funds or through a partnered lender. These can be secured or unsecured loan, so you should research different pool companies to find one that offers the pool financing plan that works best for you.

The application process is usually fast — often as quick as 24 hours. And you'll only have to research pool companies, rather than having to find both a lender and a contractor. However, the options offered may be limited, so you might not be able to shop around for the best rates.

6. Tap into your 401(k)

If you have a 401(k) retirement account, you can borrow against it for whatever purpose you want, which includes installing a swimming pool. Of course, there are limitations on the loan terms and amounts. As of 2020, the maximum amount that the plan can permit as a loan is (1) the greater of \$10,000 or 50% of your vested account balance, or (2) \$50,000, whichever is less. ([source](#)).

Interest rates with this type of loan are fixed at 1% to 2% above the going prime rate. It varies depending on the state you live in and who manages the plan. The prime rate is published in the Wall Street Journal's bank survey and indicates the best rate commercial banks will offer customers. So if the current prime rate is 5%, you can borrow from your 401(k) at 7% APR, regardless of your credit score. Also, you'll be paying the interest back into your own 401. However, the money you receive is taxable income and you will have to pay an additional fee if you default on the loan.

The maximum term for a retirement plan loan is five years. If you fail to repay it in time, you'll be hit with the 10% early withdrawal fee. However, you can get longer terms if you are using the loan to help pay for your primary residence ([source](#)).

Conclusions

How will you finance your pool installation? Be sure to do your research and choose the right lender for your situation.

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