The HELOC Guide

How a home equity line of credit works, how much you can borrow, and how to use it wisely.



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What is it?

A HELOC is a line of credit backed by your home. You get a limit, borrow what you need when you need it, and only pay interest on what you've actually used. It sits behind your first mortgage, so your current rate stays exactly the same.

Most HELOCs have two phases. During the draw period, often 10 years, you can borrow and many lenders let you pay just the interest. After that comes the repayment period, often 10 to 20 years, when you pay back what you owe. Most HELOCs have a variable rate.

Usually a good fit if
You have a low rate on your first mortgage that you want to keep, you need money over time for something like a renovation, or you want cash ready for your next property.

Maybe not the best fit if
You want one lump sum at a fixed rate, where a home equity loan may fit better, or the extra payment would stretch your budget.

What documents do I need?

- Your current mortgage statement
- Tax returns instead, if you're self-employed
- A photo ID
- Pay stubs from the last 30 days and W-2s from the last 2 years
- Your homeowners insurance policy
- Permission to pull your credit

Let's run the numbers

Many lenders let your first mortgage and your HELOC together go up to 80% to 90% of your home's value. Here's a $500,000 home with $300,000 left on the mortgage, at 80%.

How much could you access? 80% of the home's value

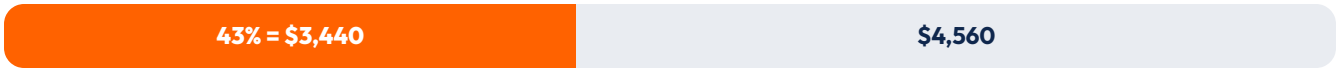


$300,000	$100,000	$100,000
Your current mortgage	Your HELOC limit	Equity you keep

Your debt-to-income ratio

Most HELOC lenders want your DTI at 43% or lower, counting the HELOC payment, and some go up to 50% for strong borrowers.

$8,000 a month in income before taxes Example



All monthly debts, including the new house payment · The rest of your income

Things most homeowners don't know

1. **The lender can freeze or lower your line.** If your home's value drops a lot, the lender can cut your available credit, so don't treat it as a guaranteed emergency fund.
2. **Your payment changes when repayment starts.** Going from interest-only to paying back principal can raise the payment a lot, so plan for it ahead of time.
3. **It can be fast.** We can usually close a HELOC in 5 to 10 days, and on lines under $500,000 you may not even need an appraisal.
4. **The interest may or may not be tax-deductible.** It depends on how you use the money, so ask your CPA (certified public accountant).

Lesser-known strategies

1. **Keep your low first-mortgage rate.** If you locked in a low rate years ago, a cash-out refinance would replace it with today's rate on your entire balance. A HELOC lets you borrow only what you need at today's rates and leave that low rate alone.

2. **Use it for your next down payment.** A HELOC on your home can cover the down payment on a rental or a second home. The new lender counts the HELOC payment in your DTI, so we plan both loans together before you draw on the line.

30-second recap

- We can usually close in 5 to 10 days
- Your first mortgage and its rate stay the same
- A draw period, often 10 years, then repayment
- Combined borrowing often up to 80% to 90% of your value
- Most lenders want a DTI of 43% or lower
- Rates usually float, so plan for payment changes



Curious how much you could access?

A quote takes about 2 minutes and doesn't touch your credit. Once I see your situation, I'll walk you through your options and what each one would actually cost you.

Get a Quote →

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