

Kira Morse

What is a HELOC?

A HELOC, or **Home Equity Line of Credit**, is a flexible borrowing option for you to access a portion of your home's equity when needed. It allows you to borrow against the equity you've built over time, which is the difference between your home's current market value and the amount you still owe on your mortgage. A HELOC is like a credit card for your home. When you get approved for a HELOC you can draw from that amount, unlike traditional loans where you receive a lump sum amount all at once. When you draw from your HELOC you repay it and borrow again during the draw period. The initial draw period on a HELOC often lasts 5 to 10 years. During this time you typically only pay interest on the amount you've borrowed. Once the draw period ends, you enter the repayment period which usually lasts 10 to 20 years. During this phase, you can no longer borrow additional funds and must repay both principal and interest. A HELOC can be used for home renovations or repairs, consolidating higher-interest debt, covering unexpected expenses, education costs, large purchases or planned expenses. Since the funds on a HELOC aren't disbursed all at once it is especially useful for expenses that occur over time rather than all at once. If you are curious about how a HELOC might fit into your financial plans, speaking with a SWMCFCU loan officer can help you understand your options and next steps.