2025 · COMMON HOME EQUITY OPTIONS

VANATOR FINANCIAL SERVICES LLC

	HOME EQUITY LINE OF CREDIT (HELOC)	HOME EQUITY LOAN	CASH-OUT REFINANCE
TYPE	Revolving line of credit (second-lien)	Lump-sum installment loan (second-lien)	New mortgage loan (first-lien)
HOW DOES THIS OPTION WORK?	It allows one to borrow against their home equity as needed, with interest-only payments due during the draw period and a full repayment schedule that begins after the draw period	It provides one with a lump sum loan of cash against their home equity, which is to be paid back immediately with fixed payments over a specific period of time	It allows one to refinance and take the available equity in their home as extra cash, which then gets rolled into the new (larger) mortgage
WHO IS THIS OPTION GENERALLY BEST FOR?	Homeowners who want flexible access to funds over time with minimal initial required payments, and who are comfortable with non-guaranteed interest rates	Homeowners needing a one-time lump sum with a predictable repayment schedule and guaranteed interest rate, and who do not want to refinance their mortgage	Homeowners wanting to refinance their mortgage (e.g., lower interest rate, different payment schedule, etc.) and access cash at the same time
WHAT ARE SOME COMMON USE CASES?1	Home renovations, additional emergency funds, unexpected one-off expenses, etc.	Debt consolidation, major planned purchases, home renovations, etc.	Debt consolidation, major planned purchases, home renovations, etc.
WHAT ARE THE BENEFITS OF THIS STRATEGY?	More flexibility to borrow as needed and a lower initial payment obligation in the beginning (via interest-only payments)	Fixed payments and interest rates that are guaranteed, predictable, and easier to plan around	Typically lower interest rate than other loans, and a single mortgage payment
WHAT ARE THE RISKS OF THIS STRATEGY?	Variable interest rates that can change, potential for overspending, and repayment shock after the interest-only period	Higher fixed interest rates than first-lien mortgages, greater pressure on cash flow due to full payments beginning immediately	Higher monthly payments due to a larger mortgage, resets the loan term, and additional closing costs
HOW ARE FUNDS DISTRIBUTED?	As needed, during draw period	Lump sum	Lump sum
IS THE INTEREST RATE TYPICALLY FIXED OR VARIABLE?	Variable	Fixed	Fixed or variable
HOW IS THE INTEREST TYPICALLY CALCULATED?	Monthly, based on the average daily balance	Monthly, based on the remaining principal	Monthly, based on the remaining principal
WHEN ARE PAYMENTS REQUIRED?	Interest-only payments during the draw period, and a full amortized repayment schedule after the draw period	Monthly payments begin immediately	Monthly payments begin immediately

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IS THE MONTHLY PAYMENT TYPICALLY FIXED OR VARIABLE?	Variable	Fixed	Fixed or variable
WHAT IS THE TYPICAL TERM LENGTH OF THIS STRATEGY?	10-year interest-only draw period, and 10-20 year repayment	5 to 30 years	15, 20, or 30 years
ARE THE INTEREST PAYMENTS TAX-DEDUCTIBLE?	Yes, if funds are used for qualified home improvements (subject to limitations)	Yes, if funds are used for qualified home improvements (subject to limitations)	Yes, if funds are used for qualified home improvements (subject to limitations)
WHAT ARE THE TYPICAL CLOSING/SETUP COSTS?	Low to moderate	Moderate	Moderate to high
WHAT HAPPENS TO THE DEBT WHEN THE HOMEOWNER PASSES AWAY?	The debt must be settled by the estate	The debt must be settled by the estate	The debt may be settled by the estate, or the heirs may assume the mortgage
HOW LONG DOES THIS OPTION TYPICALLY TAKE TO SET UP?	Fast (e.g., 1–2 weeks)	Moderate (e.g., 2–4 weeks)	Slow (e.g., 1–2 months)
HOW INVOLVED IS THE UNDERWRITING PROCESS (E.G., PROOF OF INCOME, ASSETS, ETC.)?	Moderate	Moderate	Extensive
HOW MUCH EQUITY CAN ONE TYPICALLY BORROW UP TO USING THIS OPTION?	80–90%	80–90%	80%
CAN THE LENDER FREEZE, REDUCE, OR SUSPENDED ACCESS TO THE FUNDS?	Yes[2]	No	No

[1]Generally speaking, there are not many restrictions on how one can use their funds. However, it is worth checking with the lender to ensure one is properly adhering to their lending agreement.
[2]Though uncommon, lenders may freeze, reduce, or suspend one's HELOC under specific circumstances (e.g., significant decline in home value, deterioration of borrower's financial circumstances, etc.).

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