

# Home Equity Loan vs. Line of Credit

## Tap Into Your Home's Value

### Know The Difference

Both home equity loans and home equity lines of credit (HELOCs) allow homeowners to borrow against the appraised value of their homes, providing access to funds when needed.

If your home's value exceeds your mortgage balance, you may be able to leverage that equity to finance home improvement projects, cover large expenses, fund education costs, or create a financial safety net.

While both options allow you to access home equity, they function differently. Understanding these differences can help you determine which option best suits your financial situation.

### What is a Home Equity Line of Credit?

A HELOC is a revolving line of credit that provides ongoing access to funds, similar to a credit card. However, unlike a credit card, a HELOC uses your home as collateral. A HELOC can be set up in advance, ensuring you have access to funds when needed, and you only pay interest on the amount you use.

#### **Below are the main features of a HELOC:**

**Flexible Borrowing:** A HELOC allows you to access and withdraw funds as needed, up to your approved credit limit for a specified borrowing period. As you repay the borrowed amount, those funds become available for use again.

**Variable interest rates:** Most HELOCs have a variable interest rate, which adjusts based on a benchmark rate. You only pay interest on the money you have borrowed, not your entire credit limit.

**Repayment Structure:** During the borrowing period, you will need to make at least a minimum monthly payment on the amount you owe, which usually includes both principal and interest. Once this period ends, you will repay the remaining balance, with interest, over a set repayment term.



### What is a Home Equity Loan?

A home equity loan is similar to a traditional loan. A specific amount of money is borrowed for a set term. A lump sum of money is provided at closing in the form of cash. This money is repaid in fixed monthly installments over a predetermined period of time.

#### **Below are the main features of a Home Equity Loan:**

**Fixed Borrowing Amount:** Unlike a HELOC, a home equity loan gives you a lump sum of money upfront.

**Stable Interest Rates:** Most home equity loans come with a fixed interest rate ensuring consistent monthly payments throughout the duration of the loan. At APCI FCU, our borrowing period or terms are 5, 7, 10, 15, and 20 years.

**Structured Repayment:** Similar to an automotive or personal loan, you will have reoccurring monthly payments that are the same amount each month. The payment includes both principal and interest.

## How Can You Use Home Equity?

Your home is one of your most valuable assets, and tapping into its equity can provide financial flexibility for a variety of needs. Borrowing against your home's equity can help you:

- Complete home projects or repairs.
- Pay for large purchases.
- Consolidate debt or other high-interest debt into a single loan with a potentially lower interest rate.
- Pay for urgent unexpected expenses like medical bills or home repairs.
- Fund higher education. HELOCs or home equity loans may offer lower interest rates than private student loans.
- Create a financial safety net.

## Which is Right for You?

HELOCs and home equity loans are a great tool for making the most out of your home's value. Both options provide access to funds when needed. It is important to remember that the amount you are able to borrow is dependent upon the amount of equity available in your home. In addition, when borrowing against your home's equity you are then using your home as collateral.

If you need a lump sum of cash, a home equity loan would be your best choice. The advantages of this option are its conventional loan structure and predictable monthly payments.

If you think large expenses are upcoming, a HELOC may be the best choice. This option gives you the same access to your equity, but with added flexibility and readiness.

## Put Your Home's Equity to Work for You

Unlock your home's potential with a **Home Equity Loan or Home Equity Line of Credit** from APCI Federal Credit Union. Can't decide which option fits your needs? Compare the features below:

Features	Home Equity Loan <sup>1</sup>	Home Equity Line of Credit <sup>1</sup>
Variable Interest Rate		✓
Revolving Line of Credit		✓
Fixed Interest rate and payment	✓	
One-time fund disbursement	✓	
Draw funds as needed		✓
Borrow up to 85% of your home's value	✓	
Borrow up to 80% of your home's value		✓
No fees, points, or closing costs <sup>2</sup>	✓	✓

<sup>1</sup> Please review our list of [eligible states](#) for Real Estate Secured Loan products. This loan can only be secured by your primary residence or second home. APCI FCU does not offer financing on land loans, investment properties, manufactured homes, mobile homes, multi-family homes, homes located in a commercial zoned area, or homes deeded under a Trust Agreement. If the Home Equity Loan does not close and disburse within 90 calendar days from the date on your loan estimate, the loan request will be considered closed, and you will need to reapply.

<sup>2</sup> There are no fees associated with this loan product; however, appraisal fees in excess of \$500 and recording fees in excess of \$200 will be the responsibility of the borrower. Appraisal fees are generally less than \$500. States with high recording fees include, but are not limited to: CA, NY, MD, KS, FL, VA, and the Parish of Orleans in LA. Recording fees in most states are under \$200.