CONSUMER GUIDE

OPTIONS TO PULL EQUITY FROM YOUR HOME

NATIONAL ASSOCIATION OF REALTORS®

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CONSUMER CORNER

Equity is what your home is worth minus what you still owe. If you need money for repairs or other expenses, compare the main ways to access that equity, along with the advantages and trade-offs of each.

QUICK CONTEXT	A home equity loan and a HELOC are both second mortgages. They let you keep your primary mortgage, but the combined mortgage debt typically cannot exceed 80% of the home's appraised value.

OPTION	HOW IT WORKS	POTENTIAL ADVANTAGES	WHAT TO CONSIDER
CASH-OUT REFINANCE	Replace your current mortgage with a larger loan and receive the difference in cash.	• May provide a large amount of cash • Rate may be lower than a second mortgage • Repayment term can be shortened or lengthened	• Replaces your current rate on the entire mortgage balance • A higher rate may increase the monthly payment
HOME EQUITY LOAN	Keep your primary mortgage and receive a lump sum through a second mortgage. Total mortgage debt is typically limited to 80% of the home's appraised value.	• Money is received upfront • Usually fixed monthly installments • Typically a fixed interest rate	• Creates a second monthly payment • Closing costs may apply • Your home secures the loan
HOME EQUITY LINE OF CREDIT (HELOC)	Use a revolving line of credit up to a set limit, with a draw period followed by a repayment period.	• Withdraw funds as needed • Pay interest only on the amount used • May reuse the line, subject to the loan terms • Can remain open with a zero balance	• Usually has a variable APR • Points and other finance charges may apply • One point equals 1% of the loan amount
REVERSE MORTGAGE	Homeowners age 62 or older may access equity while living in the home. The most common type is an FHA-insured Home Equity Conversion Mortgage (HECM). HUD-approved counseling is required before the loan proceeds.	• No monthly principal and interest payments while loan conditions are met • Loan is generally repaid when the homeowner sells, moves out or dies • Funds may support repairs or retirement income	• Interest and fees accumulate, increasing the balance • May reduce the inheritance left to heirs • Homeowner must pay taxes, insurance, maintenance and applicable property charges

COSTS & RISKS	Closing costs may be 2% to 5% of the new loan amount. Because your home secures the loan, missed payments or an inability to repay can put the home at risk of foreclosure. Carefully weigh the pros and cons with qualified experts.

Your real estate agent will help you navigate the purchase or sale of your home. Only members of the National Association of REALTORS® may use the term REALTOR®, and they are obligated under NAR's Code of Ethics to work in your best interest. Practices may vary by state or local law. For legal advice, consult an attorney licensed in your state. Please visit facts.realtor for more information and resources.

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