

HELOC vs Home Equity Loan

Variable line of credit or fixed lump sum? Pick the wrong product and you'll either overpay or run out of flexibility.

Quick comparison

- HELOC: variable rate, draw as needed, interest-only payment option
- HELOAN: fixed rate, lump sum at closing, fixed monthly payment
- Both: secured by your home, tax-deductible if used for home improvements

When to choose a HELOC

Ongoing or unpredictable expenses: kitchen reno that may overshoot, college tuition over 4 years, a small-business cash buffer.

When to choose a HELOAN

One-time, known expense: debt consolidation at a fixed payoff, medical bill, big single renovation. You want certainty over flexibility.

The trap most homeowners fall into

Taking a HELOC and only paying interest for 10 years — then getting hit with a much larger payment when the draw period ends and the loan amortizes.

Smart usage rules

- Never use equity to fund a depreciating asset (cars, vacations)
- Always have an exit plan before you draw
- Don't max your credit limit — keep utilization below 70%