

HOME FINANCING OPTIONS

	MORTGAGE	HOME EQUITY LOAN (HEL)	HOME EQUITY LINE OF CREDIT (HELOC)
Funds Received	A fixed amount of money, in one lump-sum, up to 100% of the home's equity (its value minus your first mortgage debt and other debts). Some lenders will allow one to borrow up in excess of the value of a home.	A fixed amount of money, in one lump-sum, up to 100% of the home's equity (its value minus your first mortgage debt and other debts). Some lenders will allow one to borrow up to 125% of the value of a home.	Revolving credit, with a specific credit limit of up to 100% of the value of your home (its value minus all debts against it). Some lenders will allow one to borrow up to 125 % of the value of a home. Borrower will draw funds as needed, typically using checks issued by the lender.
Interest Rate	A fixed or adjustable interest rate.	A fixed or adjustable interest rate.	The prime interest rate plus or minus a specified margin (which can vary from one institution to another).
Term	Varies as it can be as short as three years or as long as 30 years.	Varies as it can be as short as a year or as long as 30 years.	You have a 10- to 20-year period when you can draw on the line (up to the credit limit), after which you have a fixed period to pay off the outstanding balance plus interest.
Repayment	Depending on the type of loan, the payments can be fixed or adjustable and can include principal and interest or interest only.	Fixed payments of interest and principal over a fixed period of time.	Minimum payments (as little as interest only) each month; eventually you have to repay the entire sum borrowed plus interest.
Prepayment Penalty	Varies depending on the terms of the loan.	Varies depending on the terms of the loan.	None
Qualifications	Typically need to provide proof of income and home ownership, and proof that at least 20% of the value of home is paid off. Also, an appraisal is usually required.	Typically need to provide proof of income and home ownership, and proof that at least 20% of the value of home is paid off. Also, an appraisal is usually required.	Typically need to provide proof of your income and home ownership, and proof that at least 20% of the value of your home is paid off. An appraisal is usually required as well.
Costs and Fees	There are usually closing costs but some lenders are doing no-cost loans.	There are usually closing costs but they are lower than those for a first mortgage.	Usually no closing costs, but may have an annual fee.
Tax Deductions	Interest may be tax-deductible (consult a tax advisor).	Interest may be tax-deductible (consult a tax advisor).	Interest may be tax-deductible (consult a tax advisor).

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