



01  
About  
Us

02  
Tools +

03  
Find  
Us +

04  
Careers

05  
Contact  
Us

**Apply  
Now**

Sign  
In



## HELOANs vs. HELOCs

### Understanding Your Home Equity Options with Veritas Funding

When it comes to leveraging the equity in your home, Veritas Funding offers two primary options: Home Equity Loans (HELOANs) and Home Equity Lines of Credit (HELOCs\*). Both provide access to cash that can be used for various purposes, such as home improvements, debt consolidation, or major expenses. However, they differ significantly in structure, repayment terms, and flexibility. Understanding these differences can help you make an informed



01  
About  
Us

02  
Tools +

03  
Find  
Us +

04  
Careers

05  
Contact  
Us

**Apply  
Now**

Sign  
In

home without refinancing their first mortgage. With a HELOAN, borrowers may draw on the equity in their home to fund a variety of purposes such as home improvements, debt consolidation, or financing college.

#### Pros of HELOANs:

**Fixed Interest Rate:** Predictable monthly payments make budgeting easier.

**Lump Sum Payment:** Ideal for large, one-time expenses.

**Multiple Loan Term Options:** Available at a fixed interest rate.

**Flexible Loan Amounts:** Available for loan amounts starting at \$25,000 up to \$600,000.

**High Loan-to-Value Ratio:** Max 90% combined loan to value between the first and second liens.

**Property Flexibility:** Available on primary residences, second homes, and investment properties (1-4 units allowed).

#### Cons of HELOANs:

**Higher Initial Costs:** May include application fees, closing costs, and other upfront charges.

**Longer Approval Time:** The approval process can be more time-consuming compared to HELOCs\*.

**Ownership Requirement:** Property must be owned by the borrower for 6 months prior to HELOAN closing.

### What is a Home Equity Line of Credit (HELOC\*)?

A HELOC\* is a revolving line of credit that allows homeowners to borrow against the equity in their home as needed, up to a predetermined limit. Unlike a HELOAN, a HELOC\* functions more like a credit card, where you can borrow, repay, and borrow again during the draw period.

#### Pros of HELOCs\*:

**Flexibility:** Borrow as much or as little as needed, up to the credit limit.

**Interest-Only Payments:** During the draw period, you may only need to make interest payments.

**Quick Access to Funds:** Typically faster to obtain than a HELOAN.

#### Cons of HELOCs\*:

[01  
About  
Us](#)[02  
Tools +](#)[03  
Find  
Us +](#)[04  
Careers](#)[05  
Contact  
Us](#)[Apply  
Now](#)[Sign  
In](#)

costs can increase.

### Making the Right Choice

Choosing between a HELOAN and a HELOC\* depends on your financial needs and risk tolerance. If you prefer stability and have a specific expense in mind, a HELOAN might be the better option. On the other hand, if you need ongoing access to funds and can handle variable interest rates, a HELOC\* could provide the flexibility you need.

Before making a decision, consider how each option aligns with your financial strategy, monthly budget, and long-term goals. Consulting with a mortgage specialist at Veritas Funding can also provide valuable insights tailored to your unique situation.

We hope this article helps clarify the differences between HELOANs and HELOCs\* using Veritas Funding's resources! If you have any more questions or need further assistance, feel free to reach out to a Veritas Funding loan officer to learn more. .

\*Veritas Funding brokers HELOC\* loans.

Questions? Ask Lydia

## Get In Touch

If you're interested in improving your life through homeownership, please provide your contact information below and a Loan Officer will be in contact.



01 About Us

02 Tools +

03 Find Us +

04 Careers

05 Contact Us

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\*Veritas Funding does not sell contact information to third parties. All contact information given in this form will only be used for distributing requested information.

Submit

I authorize Veritas Funding to deliver SMS and email messages to me. I understand that I am not required to opt in as a condition of purchasing any property, goods, or services. If unchecked you will not be opted in at this time.

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- Careers
- Community
- Client Reviews
- Our Team

Services

- Finance Tools
- Homebuyers
- Loan Officers
- Loan Programs
- Resource Library

Contact

- Contact Us
- FAQs
- Our Branches



01  
About  
Us

02  
Tools +

03  
Find  
Us +

04  
Careers

05  
Contact  
Us

**Apply  
Now**

Sign  
In

Disclaimers