



HOME EQUITY LINE OF CREDIT "HELOC"

FACTS:

- Always a variable rate, starting at Prime + 0.5%
- Always fully open - totally flexible on pre-payment
- You can use only what you need, pay interest on only what you use
- Payments are always "interest only" - effectively lowering your overhead
- Great vehicle for investing equity into your financial portfolio for a short time, or to use for renovations, other property investments
- Can be in either first or second position - depending on existing lender

PROS:

- Interest only payments make for lower monthly overhead
- Fully open term makes investing easy to navigate without having to line up specific timelines
- Calculating interest costs is simple by keeping multiple sub-accounts - makes for happy accountants!
- Cheaper money than unsecured borrowing.

CONS:

- More expensive than conventional mortgages
- Registered against your property - if you sell your home, this debt must be paid
- Carrying long-term non-investment debt can be quite expensive
- Minimum payments don't touch the principal balance - they only cover interest
- Variable rate means that the payment can and will fluctuate

