

## HELOC VS. REFINANCE

Two ways to access your home equity. Different tools, different trade-offs. Here's how to choose.

PREPARED  
BY

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### 1. What's the Difference?

Both a HELOC and a refinance let you access your home equity. But they work very differently.

#### HELOC (Home Equity Line of Credit):

- A **revolving credit line** secured against your home
- Borrow and repay as needed, up to your approved limit
- **Variable interest rate** (typically prime + 0.5% to prime + 1.0%)
- Interest-only minimum payments (principal repayment is optional)
- Can borrow up to **65% of your home's value** (combined with mortgage, up to 80%)

#### Refinance:

- **Replace your existing mortgage** with a new, larger one
- Receive the difference as a **lump sum**
- **Fixed or variable rate** — your choice
- Structured payments (principal + interest) over your amortisation
- Can access up to **80% of your home's value**

*Shawn's Tip: A HELOC gives you flexibility. A refinance gives you structure. Which is better depends entirely on what you need the money for and your financial discipline.*

### 2. When to Choose a HELOC

A HELOC is best when you need **ongoing access to funds** rather than a single lump sum:

- **Home renovations** — Pay contractors as work progresses rather than borrowing everything upfront
- **Emergency fund** — Available credit for unexpected expenses (use wisely)
- **Investment purposes** — The interest may be tax-deductible if used for income-producing investments (consult your accountant)
- **Irregular large expenses** — Tuition, vehicle replacement, property tax lump sums

*Shawn's Tip: The danger with a HELOC is the flexibility itself. Interest-only payments feel affordable, but you're not reducing the principal. I've seen people carry HELOC balances for 15+ years. If you need structure and discipline, a refinance is safer.*

### 3. When to Choose a Refinance

A refinance is best when you need a **specific amount for a specific purpose**:

- **Debt consolidation** — Roll credit cards, car loans, and lines of credit into one low-rate payment
- **Major renovation** — You know the exact cost and want it structured into your mortgage
- **Investment property down payment** — Access equity to fund a rental purchase
- **Separation or divorce** — Buy out a spouse's share of the home
- **Lock in a lower rate** — Replace a high-rate mortgage with a better one

*Shawn's Tip: If you're consolidating debt, a refinance is almost always better than a HELOC. The structured payments force you to pay it down. A HELOC lets you make minimum payments forever.*

### 4. Key Numbers to Know

Maximum you can access from your home equity:

- **HELOC only:** Up to 65% of home value
- **Refinance only:** Up to 80% of home value
- **HELOC + mortgage combined:** Up to 80% of home value
- **Penalty to break your mortgage for refinance:** 3 months' interest (monoline) or higher of 3 months' interest/IRD (big bank)

**Example:** Your home is worth \$500,000. You owe \$300,000.

- Available equity (80%):  $\$400,000 - \$300,000 = \$100,000$  accessible
- HELOC limit (65%):  $\$325,000 - \$300,000 = \$25,000$  accessible via HELOC alone

### 5. Which Is Right for You?

There's no universal answer. It depends on your situation. Here's a quick filter:

- Need a **lump sum** for a specific purpose? → **Refinance**
- Need **ongoing access** to funds? → **HELOC**
- Want to **consolidate debt** and need forced structure? → **Refinance**
- Want **lower interest** than unsecured credit but need flexibility? → **HELOC**
- Doing a renovation with **uncertain total cost**? → **HELOC**
- Buying out a spouse in a **separation**? → **Refinance**

Some people benefit from **both** — a refinance to consolidate existing debt plus a smaller HELOC for future flexibility. I can structure this for you.

## Need to Access Your Home Equity?

I'll run the numbers on both options and show you which saves you more. 15 minutes. No cost. No obligation.

**Call or Text: 403-703-6847**

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