FREE GUIDE · FOR ALBERTA HOMEOWNERS

HELOC vs. Refinance: Getting at Your Equity

Two very different tools for the same job - turning the equity you built into money you can use. How each works, what each honestly costs, and the decision filter that picks the right one.

- How a HELOC actually works - the flexibility and the trap inside it
- How a refinance works - and when breaking your term is worth it
- The equity math: what the lending limits let you reach
- The renewal window - the one moment this decision gets cheaper

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Two Tools, One Job

> Both put your equity to work. A HELOC is a revolving credit line secured by your home; a refinance replaces your mortgage with a bigger one and hands you the difference. The right choice depends on what the money is for - and on your own honesty about discipline.

The HELOC

A line of credit registered against the house. You draw what you need when you need it, pay interest only on what is outstanding, and the minimum payment is typically interest-only. The rate floats with prime. Regulators cap the revolving portion at **65% of your home's value**, and the HELOC plus your mortgage together at **80%**.

The refinance

Break the current mortgage (or restructure at renewal), register a new, larger one, and take the difference in cash. Limit: **80% of the home's value**. You get an amortized payment - principal and interest, a schedule with an end date - at mortgage pricing, fixed or variable.

The equity math, worked once

Home worth $500,000 with $300,000 owing: the 80% ceiling is $400,000, so up to **$100,000** is reachable. How much lands as a HELOC versus a new first mortgage depends on the 65% revolving cap and how the file is structured - fifteen minutes with your actual numbers settles it.

The honest cost of breaking mid-term

A mid-term refinance triggers a prepayment penalty, and how it is calculated varies enormously by lender and rate type - on some files it is modest, on others it is brutal. Never decide from a guess: **get the exact payout figure from your lender first**, then run the math with it included.

The Decision Filter

> Answer three questions: what is the money for, do you need it all at once, and will an open-ended minimum payment help or hurt you?

The HELOC wins when

- Costs are staged or uncertain - a renovation in phases, a business cushion, helping family as needs arise
- You may not use the full amount - you pay interest only on what you draw
- Your existing mortgage is worth protecting - a great rate or heavy penalty makes leaving it expensive

The refinance wins when

- The amount is known and needed at once - a consolidation, a payout, a defined project
- You want a forced structure: fixed payment, amortization, an end date
- Renewal is close - see below; the penalty problem simply disappears

Here's the thing about interest-only minimums

The HELOC's flexibility is real - and so is this: I have watched people carry HELOC balances for fifteen years, paying the minimum, principal untouched. The line is a tool for people with a plan and **a quiet tax on people without one.** Know which you are before you sign.

The renewal window - the cheapest version of this decision

At maturity there is **no penalty** - renewal is THE moment to restructure: take equity out, extend the amortization, add a HELOC alongside the new term. Heads-up: a restructure usually involves a lawyer; a straight renewal does not. Inside a year of renewal? Waiting often beats break-and-pay.

Which one fits your file?

Both options priced on your real numbers - penalty included, both structures side by side.

Call or Text 403-703-6847

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