



The HELOC Playbook

How to borrow against your home without giving up a low mortgage rate: what you can borrow, what it costs, what to ask, and the mistakes that cost people money.

- The rates Shawn's team actually closed in 2026, by credit score
- A worked example: paying off \$20,000 of credit cards
- 10 questions to ask any lender, and 8 mistakes to avoid



Shawn Way

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Rates and data as of October 23, 2026 · helochq.com

1. Is a HELOC the right tool?

A home equity line of credit (HELOC) is a revolving line secured by your home. You draw what you need during a draw period, usually 10 years, paying interest only on what you've used, then repay over a repayment period, usually 20 years. Your first mortgage stays exactly as it is.

If you need...	Usually best	Why
Money over time (a remodel billed in stages)	HELOC	Interest only on what you've drawn
One known lump sum (pay off cards)	HELOC or fixed home equity loan	A fixed payment and end date keep payoff on track
Cash, and your mortgage rate is low	HELOC	Keeps the low rate on the big balance
Cash, and your rate is near today's	Compare a cash-out refinance	One loan may be simpler
Under about \$10,000, needed this week	Personal loan or 0% card	Fixed opening costs weigh heavily on small lines
No monthly payment, age 62+	Compare a reverse mortgage	No required mortgage payment

The one-line test: if your first mortgage rate is well below today's rates and you'll repay the money within a few years, a HELOC almost always costs less than refinancing.

When a HELOC is a bad idea

- Spending on things that won't last longer than the debt.
- Consolidating cards without closing the habit that ran them up.
- Unstable income with no plan for the repayment period, when payments jump.
- Borrowing to the limit with no cushion for a rate rise.

What happens when the draw period ends

On a \$100,000 balance at 7.75%, the interest-only payment is about **\$646** a month. When the 20-year repayment period starts it becomes about **\$821**, and about **\$949** if the rate is 2 points higher by then.

2. How much can you borrow?

Most lenders cap your combined loan-to-value (all loans on the home ÷ its value) at 80%–85% on a primary home, lower on rentals and second homes.

$$(\text{home value} \times \text{CLTV limit}) - \text{mortgage balance} = \text{maximum line}$$

Your worksheet

Home value _____ × CLTV limit _____ = _____

– mortgage balance _____ – other liens _____

= **maximum line** _____

Example: a \$800,000 home with \$400,000 owed at an 85% limit: $\$800,000 \times 0.85 - \$400,000 = \$280,000$.

Your income has to fit too

Lenders add the HELOC payment to your other monthly debts and want the total under about 43% of gross income, sometimes up to 50%. Many qualify you on a payment as if the full line were drawn.

Credit score

Many lenders start around 620; the best pricing is usually 760+. Every tier you climb lowers your margin for the life of the line.

Worked example: paying off \$20,000 of credit cards

Card	Balance	APR	Payment	Paid off in	Interest
Card A	\$9,200	26.2%	\$240	7 yr	\$10,953
Card B	\$6,800	23.9%	\$175	6 yr 4 mo	\$6,394
Card C	\$4,000	29.9%	\$130	5 yr	\$3,687
Total	\$20,000		\$545	7 yr	\$21,035

Moved to a HELOC at 7.75%	Monthly	Interest	Saved vs. cards
5 years	\$403	\$4,188	\$16,846
7 years	\$309	\$5,976	\$15,059

Paid off over 5 years, the payment drops from \$545 to \$403 a month. Assumes the rate holds, fixed payments and no new card charges. The catch: the cards must stay at zero.

3. What it really costs

your APR = prime rate + your margin

7.00% + 0.75 = 7.75%

Prime follows the Federal Reserve and changed last on September 17, 2026. Your margin is set when the line opens and doesn't change. Typical margins today:

Credit score	Typical margin over prime	Typical APR today
760+	+0.25 to +1.75	7.25%–8.75%
720–759	+1.00 to +2.75	8.00%–9.75%
680–719	+1.50 to +3.25	8.50%–10.25%
640–679	+2.25 to +5.50	9.25%–12.50%
Under 640	+4.00 to +6.00	11.00%–13.00%

What Shawn's team actually closed in 2026

Starting rates on HELOCs funded by loan officers on Shawn Way's team, by credit score. Low and high are the 10th and 90th percentiles.

Credit score	HELOCs	Low	Median	High
760+	750	6.50%	7.55%	9.06%
720–759	481	7.05%	8.20%	9.95%
680–719	536	7.57%	9.00%	11.42%
640–679	341	7.88%	10.55%	13.55%
Under 640	114	10.32%	11.47%	13.96%

Fees to ask about, in dollars

- Origination or processing fee
- Appraisal or valuation fee (many lines use an automated valuation)
- Title, recording and state taxes (in Florida, about \$550 per \$100,000)
- Annual fee
- Early-closure fee if you close the line within the first few years
- Inactivity or minimum-draw requirements

4. Ten questions to ask any lender

1. What's the margin over prime, and is there an introductory rate? What's the rate after it ends?
2. What's the lifetime maximum rate (cap), and is there a minimum rate (floor)?
3. What are the total fees to open the line, in dollars?
4. Is there an annual fee or an early-closure fee?
5. How long is the draw period, and what's the repayment term?
6. Is the draw-period payment interest-only, and what will the payment be when repayment starts?
7. Can I lock part of the balance at a fixed rate? Is there a fee?
8. Is there a minimum initial draw, or must I draw the full line at closing?
9. How will you value the home: automated valuation or full appraisal?
10. How long from application to funding, and what slows it down?

Compare offers on the same basis: margin, total fees, cap, draw terms and fixed-rate options. A lower intro rate with a higher margin usually costs more over the life of the line.

5. Documents checklist

- ☐ Photo ID
- ☐ Pay stubs (30 days) and W-2s (2 years), or tax returns if self-employed
- ☐ Or 12–24 months of bank statements on a bank-statement program
- ☐ Latest mortgage statement(s)
- ☐ Homeowners insurance declarations page (and flood, if required)
- ☐ HOA contact and dues, if any
- ☐ Trust certification, if the home is in a living trust
- ☐ Explanation of any recent late payment, with documents

Approved in minutes, signed the same day

When the home qualifies for an automated valuation and income can be verified electronically, Shawn can have a HELOC approved in as few as five minutes. With a mobile notary, you can sign the same day. On a primary home, federal law then gives you three business days to cancel, so funds are released after that window closes, usually about four business days after signing. That's the best case, not a promise: title, income documents and state rules can add time.

6. Eight mistakes that cost people money

- 1. **Ignoring the end of the draw period.** An interest-only payment can roughly double when repayment starts. Plan for it from day one.
- 2. **Paying only interest for ten years.** Add principal every month; the line is still a loan.
- 3. **Chasing the intro rate.** The margin after the intro period is what you pay for years.
- 4. **Running cards back up.** Consolidation only works if the cards stay paid off.
- 5. **Drawing the full line on day one** when the money is needed in stages.
- 6. **Opening a line after listing your home** without a program that allows it. Most banks won't.
- 7. **Refinancing a low first mortgage** to get cash a HELOC could provide.
- 8. **Not reading the variable-rate terms.** Know your cap, and what a 2-point rise does to the payment.

7. Special situations, quickly

Situation	What helps
Self-employed with big write-offs	Bank-statement HELOCs qualify on 12–24 months of deposits
Home in a living trust	Trust-friendly programs lend to the trustee with a certification of trust
Rental property	Investor HELOC programs; lower limits and higher rates than a primary home
Home listed for sale	A few programs allow it; the line is paid off at your sale
Buying with less than 20% down	A piggyback HELOC (80-10-10) avoids mortgage insurance
Condo in a building that failed review	Non-warrantable condo programs
Recent late payment	Some lenders allow one with an explanation

Not sure which applies to you? Send Shawn your situation in a sentence or two. He'll tell you which programs fit, or if none do.

About Shawn Way



Shawn Way is a HELOC specialist who has been in mortgage lending since 2012. He spent ten years at loanDepot, first as a top-ranked loan officer who personally funded more than 1,000 mortgages, then as a production manager leading more than 100 loan officers. Since 2023 he has been a Senior Vice President at West Capital Lending, where he leads The Masters, a team of more than 200 loan officers and the company's #1 team in 2025. His approach is simple: show the options side by side with real numbers, including the tradeoffs.

Rated 4.93/5 from 109 verified reviews on Experience.com. Licensed in 36 states and DC.

Want your real numbers?

Request a HELOC rate at helochq.com/get-my-numbers, or call or text **(949) 569-7019**. Shawn reviews every request himself and replies, usually the same business day, including a straight no if that's the honest answer.

Free tools at helochq.com

- How much can I borrow? · HELOC payment calculator · Debt payoff calculator
- HELOC vs. cash-out refinance · Is my HELOC offer good?
- The HELOC Report: original data on rates by credit score and line sizes

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HELOC terms: Variable APRs shown are based on the Prime Rate published in The Wall Street Journal (7.00% as of October 23, 2026) plus a margin, and can change after the account is opened. Fixed-rate HELOC APRs are fixed for the stated term. HELOC APRs don't include costs other than interest. The maximum APR is 18.00%, or the maximum allowed by applicable law if lower; the minimum APR is 4.00%. All fees to open the line, including lender and third-party costs such as title, valuation and recording, range from 0% to 4.99% of the loan amount, depending on line size, property and state, and are generally paid from the loan proceeds; you'll receive an itemized estimate before you commit. An annual fee of \$50 applies for the life of the line. There is no prepayment penalty. Property insurance is required, and flood insurance may be required. Rates and payments shown are examples for illustration, not an offer of credit. Your home secures the loan and can be lost if you don't repay.

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