HECM vs. HELOC:

What's the difference?

What is a HECM?

A Home Equity Conversion Mortgage (HECM) may also be known as an FHA reverse mortgage.

This is a home loan that allows borrowers age 62 and older to access the equity in their homes for supplemental funds.

What is a HELOC?

A Home Equity Line of Credit (HELOC) is established based on the equity in your home.

The equity serves as collateral for the line of credit, so you can borrow on it.

Similarities Between a HECM and a HELOC

The major similarity between a HECM and a HELOC is that both involve home equity.

Both types of funding allow the homeowner to borrow against the equity they've accrued in their homes.

The differences between a HECM and a HELOC are more significant than the similarities.

Differences Between a HECM and a HELOC

HECM	HELOC
Disbursement options: Lump sum, Monthly payments, Line of credit	Line of credit only
No monthly mortgage payments	Monthly payments for interest on balance
No repayment if homeowner is current on property taxes and insurance, resides in the home, and abides by all loan terms.	Repayment of the line of credit balance is required within 10 to 20 years
Fixed or adjustable interest rate for lump sum and monthly payment options; adjustable rate for lines of credit	Adjustable interest rate only
Line of credit stays open and available	Line of credit may close if it isn't used or at the bank's discretion
Unused line of credit can grow over time with interest	Line of credit stays the same over time
For homeowners age 62 and older	No age restrictions
May be best for long-term borrowing	May be best for short-term borrowing

Reverse Mortgages.com, Inc.

Reverse Mortgages.com, Inc.
3401 West Broadway Business Park Court,
Suite 213
Columbia, Missouri 65203
(877) 611-1329

NMLS# 1313859