

# 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

#### Disbursement options:

Lump sum  
Monthly payments  
Line of credit

No monthly mortgage payments

No repayment if homeowner is current on property taxes and insurance, resides in the home, and abides by all loan terms.

Fixed or adjustable interest rate for lump sum and monthly payment options; adjustable rate for lines of credit

Line of credit stays open and available

Unused line of credit can grow over time with interest

For homeowners age 62 and older

May be best for long-term borrowing

### HELOC

#### Line of credit only

Monthly payments for interest on balance

Repayment of the line of credit balance is required within 10 to 20 years

Adjustable interest rate only

Line of credit may close if it isn't used or at the bank's discretion

Line of credit stays the same over time

No age restrictions

May be best for short-term borrowing

**Reverse Mortgages**  
ReverseMortgages.com, Inc.

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

NMLS# 1313859

These materials are not from HUD or FHA and were not approved by HUD or any government agency.

