A home equity line of credit is a loan that uses your home as collateral – this type of loan typically results in lower interest rates, since it’s based on the equity of your home.

One of the most common reasons people take out a home equity line of credit is to pay for home improvements.

**ADVANTAGES**

- Flexibility in when and how much you can borrow
- Lower interest rates
- Tax Deductibility

**DISADVANTAGES**

- Could put your home at risk if debt can’t be paid back.
- Subject to the loan being frozen if the value of your home declines
- Potential for over spending

**WHEN MIGHT I BE ELIGIBLE FOR A HELOC?**

When the amount you owe on your home is less than the value of your home. You can typically borrow up to a certain percentage of the value of your home minus the amount owed.

**HOW HAVE HELOCs BEEN IMPACTED BY THE NEW TAX LAW?**

Homeowners can continue to deduct the interest on a home equity loan, line of credit or second mortgage when the proceeds are used to substantially improve their residence.

Sources:
- “What you should know about home equity lines of credit.” CFPB
- “5 Good Reasons to Tap Your Home Equity” Nerd Wallet
- “Consider a Home Equity Line of Credit” Houselogic