

Is a HELOC a good idea to tap into your home's equity?

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A Home Equity Line of Credit (HELOC) lets you tap into the equity you've invested in your home if you're cash strapped.

You might consider this option if one partner has suddenly lost their job or fallen ill and you're running out of savings to cover your day-to-day costs. But the HELOC isn't the only way to access your home's equity, a reverse mortgage is another option to consider.

A HELOC makes more sense if you own a large portion of your property and you need access to cash, but you also have a good pension income which will affect whether you're approved for one or not, [according to MoneySense magazine](#). Also, it's better to use a HELOC when you're borrowing a small amount, about 20 per cent of your home's value.

One thing to keep in mind is that you need to be making enough income to at least cover the cost of the HELOC's interest, but the upside to it is that you don't also have monthly principle payments too. If you don't however, this does make the mortgage more expensive. HELOC's have a better interest rate compared to reverse mortgages and you're not tied down to when you can access it.

You do need to be aware that if one partner passes away, you might run into issues with the bank since now you have less income contributing to the loan, which could affect whether you qualify or not or how much money you can borrow. Also, your interest rate is variable, which means you run the risk of higher payments when interest rates go up, which again could become unaffordable if you're on a fixed income.

A HELOC lets you borrow up to 65 per cent of the appraised value of your home at monthly interest payments. You will need to see whether you qualify for the loan, which creditors will check your credit, check your income and look at your withstanding debt.

One strategy is to start borrowing money using a HELOC, then switching it to a reverse mortgage if you find you need to borrow more money of you can no longer cover the interest payments.

Many Canadians treat their properties as a home with only 31 per cent seeing their property as a nest egg, [according to a recent Canadian Association of Accredited Mortgage Professionals survey](#). There's [lots to consider when buying a home](#), including a shift towards more [multigenerational homes](#) and [condos becoming a more popular option for baby boomers and millennials](#).

Whether your property is your primary residence or an [investment](#), you can still qualify for an HST rebate. But it's important that you file our claim properly or the [CRA will come back looking for its](#)

[money with interest.](#)

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