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HELOC Real Estate Investment Cheat Sheet

(Home Equity Line of Credit Strategy)

1. What is a HELOC?

A **Home Equity Line of Credit (HELOC)** is a revolving credit line secured by your home's equity. Investors use HELOCs as a **low-cost financing tool** to purchase, renovate or leverage real estate investments.

- ✅ **Flexible access to funds** – Borrow as needed, only pay interest on what you use.
 - ✅ **Low interest rates** – Typically lower than personal loans or hard money loans.
 - ✅ **Interest-only payments (draw period)** – Helps manage cash flow efficiently.
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2. How to Qualify for a HELOC

🏠 **Equity Requirement:** Typically **15-20%+ equity** in your home.

📊 **Credit Score:** Minimum **620-680+** (higher for best rates).

💰 **Debt-to-Income Ratio (DTI):** Usually **under 43%**.

📄 **Income Verification:** W-2s, tax returns, rental income, or business income.

💡 **Pro Tip:** Higher equity, credit score, and lower DTI = **better terms and higher loan limits**.

3. Best Ways to Use a HELOC for Real Estate Investing

💎 **Down Payment for Rental Property** – Use HELOC funds to cover **20-25% down payment** on investment properties.

💎 **BRRRR Strategy (Buy, Rehab, Rent, Refinance, Repeat)** – Use HELOC to **buy & renovate** properties, then refinance to pay off the HELOC and repeat the process.

💎 **Short-Term Fix & Flip** – Finance the **purchase & rehab** of a property, sell for a profit, then repay the HELOC.

💎 **Bridge Loan** – Use a HELOC to **quickly acquire properties** while waiting for




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long-term financing.

◆ **Accessory Dwelling Units (ADUs)** – Build an **income-generating rental unit** on your property.

4. HELOC Terms & Repayment Structure


 **Draw Period:** 5-10 years (interest-only payments).

 **Repayment Period:** 10-20 years (principal + interest payments).

 **Interest Rates: Variable** (Prime Rate + lender margin). Some lenders offer **fixed-rate** HELOCs.

◆ **Example:** Borrow \$100K at **8% interest**

- Draw Period (10 years): **Interest-only payments ~\$667/month**
- Repayment Period (15 years): **Principal + interest ~\$956/month**





 **Pro Tip:** Avoid overleveraging—make sure rental income or property appreciation covers HELOC repayment.

5. Pros & Cons of Using a HELOC for Real Estate

Pros:

- ✓ **Lower interest rates** than personal loans or hard money.
- ✓ **Revolving credit line** – Reuse funds after repayment.
- ✓ **Flexibility** – Borrow only what you need.
- ✓ **Interest-only payments** during draw period for better cash flow.

Cons:

-  **Variable interest rates** can increase payments over time.
-  **Your home is collateral** – Risk of foreclosure if you default.
-  **Short-term financing** – HELOCs must be repaid or refinanced.
-  **Lenders can freeze or reduce limits** in economic downturns.




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6. Best Practices for HELOC Investing

- ◆ **Only invest in cash-flowing properties** – Ensure rental income covers payments.
 - ◆ **Have an exit strategy** – Plan for repayment via cash flow, refinance, or sale.
 - ◆ **Use it as a short-term tool** – Pay it off quickly to avoid long-term interest costs.
 - ◆ **Shop for the best HELOC rates & terms** – Compare multiple lenders.
 - ◆ **Avoid maxing out your HELOC** – Keep a financial cushion for unexpected expenses.
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7. Where to Get a HELOC

 **Traditional Banks & Credit Unions** – Wells Fargo, Chase, Bank of America, local credit unions.

 **Online Lenders** – Figure, Better.com, Rocket Mortgage.

 **Portfolio Lenders** – Specialized banks that work with real estate investors.

💡 **Pro Tip:** Some lenders offer **HELOCs on investment properties**, not just primary residences.

8. HELOC vs. Other Funding Options

Funding Option	Interest Rate	Repayment Terms	Best For
HELOC	7-10% (variable)	Interest-only (5-10 years), then P+I (10-20 years)	Short-term real estate funding
Cash-Out Refinance	6-8% (fixed)	15-30 years (P+I)	Long-term financing



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Funding Option	Interest Rate	Repayment Terms	Best For
Hard Money Loan	10-15% (fixed)	6-24 months (interest-only)	House flips & quick deals
Private Money Loan	8-12%	Flexible terms	Fast, creative financing

9. Final Thoughts: Is a HELOC Right for You?

✅ If you have **strong equity & a solid investment strategy**, a HELOC can be a **powerful tool** for real estate investing.

⚠️ But if you're not disciplined with debt, the **risk of foreclosure** makes it a **high-stakes strategy**.

📩 **Want to learn more or find the best HELOC options? Let's connect!**