

Capital One: Are You Ready to Repay Your Home Equity Line of Credit?

Here's what you'll need to know if it's time to pay back what you borrowed.

If you've got a home equity line of credit, you know it's come in handy over the past few years. Maybe you used the money for a big project around the house. Maybe you paid your kid's tuition. No matter what, it gave you the financial flexibility to do what you wanted or needed to do.

So far, you've only had to pay the interest on whatever you borrowed along the way. It's been like that for several years. That's why you liked the line of credit idea in the first place—it let you use your home to get cash, and it had a repayment plan you found agreeable. But now the term for your line of credit is almost up, and you won't be able to borrow from it anymore. And if you have a balance, the time is coming to pay back the principal, too.

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Depending on your line of credit, you'll have to repay that borrowed amount either through an installment plan or all at once in what's called a balloon payment. With installments, your monthly payments are going to increase since you aren't able to keep paying only the interest. Your interest rate could also go up. If instead you've got a balloon payment due, you'll be expected to pay the whole amount you owe when the line of credit expires. As long as you're ready, you can steer clear of any financial potholes.

Having a Plan

Life happens though, right? This day used to seem a long way off, yet here it is. Your circumstances probably have changed a lot since you first got your line of credit, and now you might be worried about how to make the repayments. If you are, you should start by talking to a lender who can go over your options. They can figure out whether you can refinance the line of credit or get a new home equity loan to pay off what you borrowed. What you do here definitely matters—if you can't pay back your line of credit, there's a chance you could lose your home.

That's scary for sure, but let's see about keeping that completely off the table. At Capital One, we can look at your particular situation to help you figure out what's best for you. While each case is different, our experts will review your situation to try and find the right solution for you. Since many housing markets in the U.S. have been getting better, there is a chance your home could be worth a good bit more than it was just a few years ago. Our team will look into that for you. They might even come up with a plan that doesn't have any closing costs.

Hopefully, you won't run in to any unpleasant surprises with your line of credit repayment. But if you do, contact us to get the conversation started.

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