

Home Equity Line of Credit Worksheet

By Oliver Marks

Use this HELOC comparison worksheet when shopping for a home equity line of credit so you can keep track of important terms and get the best deal.

If you're borrowing money to pay for a home improvement, chances are you're taking it out of a home equity line of credit—and for good reason. Because the loan is secured by your home, interest rates are about as low as you can find, and the interest is typically tax-deductible. Since it's a credit line, you only draw as much money as you need and only when you need it.

Keep in mind, though, that the rate is adjustable and interest rates are all but sure to rise in the coming years, according to Greg McBride, senior financial analyst at Bankrate.com. So be prepared for your costs to increase, and consider whether the lender will let you shift your balance to a fixed-rate loan once your project is done. Because HELOCs don't require you to pay back any principal during the "draw period"—typically 10 years—you need to be disciplined about creating and sticking with your own repayment schedule.

Shopping for an adjustable rate HELOC is trickier than you might think. "Banks try to lure you in with low teaser rates, but those last only six months. The real question is how good the rate will be after that," McBride says. As you compare lenders, use this worksheet to help identify the HELOC with the terms that best meet your needs.

	Lender 1	Lender 2	Lender 3	What You Need to know
Lender Name				
Contact Person				
Phone Number				
Initial Interest Rate How Important? *				This is the number banks advertise, but it won't last long.
Margin How Important? *****				HELOC rates typically adjust with the prime rate.
Rate Cap How Important? ****				All HELOCs have a maximum interest-rate cap. The lower, the better.
Annual Fee How Important? **				Some lenders charge \$50 to \$100 per year. Others charge no fee or waive it if you also maintain a checking account.
Inactivity Fee How Important? *				Many banks charge \$100 to \$150 if you don't tap the HELOC within a certain period of time.
Minimum Draw Requirement How Important? ****				Some banks require you to take out cash when you open the account. Avoid these, unless the amount aligns with your budget.
Closing Costs How Important? ***				Fees range from \$500 to \$1,000, but many banks waive them.
Other Fees/Penalties How Important? ***				Watch out for "junk" fees, such as check-writing charges or excessive fax or email fees.
Lock-in Option How Important? ****				A few lenders let you convert your balance to a fixed-rate loan when your project is done.
Draw Period How Important? ***				The time you can use the HELOC before it closes; 10 years is standard.
Repayment Terms How Important? ****				You may have to pay back the full amount in a balloon payment, or it may convert to a 5- to 10-year loan.