

FIGURE

In this scenario, Jesse could save over \$80,000 on interest payments by choosing to use a HELOC and keeping his low mortgage rate, rather than opting for the cash-out refinance.

The amount the average US homeowner could save on interest payments with a HELOC vs. a Cash-Out Refinance.*

HELOC vs. Cash-Out Refinance

Meet Jesse. Jesse is ready to add an office to his home and is thinking about tapping his home's equity to fund the improvements (estimated cost of \$62k). Jesse just refinanced his home loan in 2021 and locked in a great rate of 2.9%.

He compares two options using the [Figure Comparison Calculator](#).

- 1 Keeping the 2.9% rate on his 30-year mortgage, plus getting a 15-year HELOC at 7.37% APR.
- 2 Doing a cash-out refinance at 4.5% for a new 30-year mortgage.

Averages Used

\$229,242

The average remaining mortgage principal balance¹

2.90%

Average interest rate for those who secured their mortgage in 2020 or 2021²

\$62,000

The average HELOC amount applied for, according to recent Figure data⁴

\$339,254

Total cost of existing mortgage (principal and interest to be paid over remainder of the loan term)⁵

\$110,012

Total interest to be paid on existing mortgage (remaining balance)⁶

Comparison

	Cash-Out Refi	Figure HELOC
Average Loan Amount Needed⁷	\$291,242 ⁷	\$62,000 ⁴
New Loan Term	30 Year	15 Year
New Loan Interest Rate APR⁹	4.50%	7.37%
Estimated Total Cost of New Loan¹⁰	\$531,245	\$102,632
Estimated Total Interest on New Loan (paid over life of loan)¹¹	\$240,003	\$40,632
Total Cost Comparison¹²	\$531,245	\$441,886
Total Interest Paid¹³	\$240,003	\$150,644

Results

% Interest Savings with HELOC	-37%
Individual Savings with HELOC	\$89,359

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*All savings calculations are estimates. Savings totals are calculated using the average mortgage balance, average interest rates, and average HELOC amount applied for, and subtracting the difference paid over the life of the estimated loan terms. Actual savings will depend on several factors determined at the time of application and may be less than estimated.

¹Average mortgage debt in the US, according to [Source](#)

²Average interest rate for home purchases & refinances from July 2020 to Sep 2021, according to CoreLogic

³Most common mortgage term is 30 years, according to [Source](#)

⁴Average HELOC loan amount applied for, according to Figure HELOC funded data (January 1, 2020–February 28, 2022)

⁵Used Bankrate Amortization Calculator to calculate the total cost of existing mortgage (average remaining principal balance and average interest rate calculated over 29 years)

⁶Total cost of existing mortgage minus the average remaining principal balance

⁷Average principal balance on existing mortgage plus average loan amount needed

⁹Current mortgage rates as of March 2022, according to [Source](#); Average HELOC rate, according to Figure HELOC funded data (January 1, 2020–February 28, 2022)

¹⁰Used Bankrate calculator to calculate total cost of new loan (principal and interest paid over the life of the loan term)

¹¹Total loan cost of new loan minus principal balance of new loan

¹²Total cost of new mortgage loan (principal and interest paid over the life of the loan); total cost of existing mortgage (remaining principal balance and interest to be paid over the remainder of the existing mortgage term) plus total cost of new HELOC loan (principal and interest paid over the life of the new HELOC)

¹³Total interest cost of new mortgage loan; total interest cost on existing mortgage plus total interest cost of new loan (HELOC)