

Unlocking home equity to consolidate large HELOC debt



Client Profile

Homeowners:

Female, Age 55 | Male, Age 62

Location: Lindsay, ON

Home value: \$850,000

Home type: Single family detached

Employment: Both employed; one client plans to retire in a few years

Credit score: 763 and 680

Mortgage & debt: \$268,739 TD HELOC plus \$11,890 in other debts; total debt profile approximately \$280,629

Mortgage amortization:

HELOC revolving facility; no fixed amortization schedule

Monthly obligations: \$2,860 (\$2,165 debts + \$695 property expenses)

Monthly income: \$9,650 combined

Assets: \$270,000 in eligible liquid assets: \$120,000 RRSP, \$110,000 TFSA, and \$40,000 non-registered stocks and bonds

Situation

Meet Linda and Mark

- Linda and Mark are still working and have a solid combined income, but their financial picture is beginning to shift as they plan for retirement.
- Their objective is to consolidate their existing HELOC and other debts, but the amount they need to borrow exceeds what their standard financing option provides.
- They are looking for a higher-LTV financing solution to restructure their debt today and ease the transition from their working years into retirement.

Traditional Options

- Based on their profile, they would typically qualify for approximately \$220,500 through a traditional reverse mortgage solution.
- This would not be sufficient to fully address their debt consolidation needs of approximately \$280,629.
- While some higher-LTV lending options may provide access to the additional funds needed, they typically come with premium pricing.

HomeEquity Bank Custom Solutions – HEB Advantage

- ✓ Based on their credit profile, property location, income, and eligible liquid assets, Mark and Linda qualify through **HEB Advantage for a tax-free loan of \$297,675**.
- ✓ This provides sufficient access to their home equity to fully eliminate their existing debt obligations (without the premium pricing associated with alternative higher-LTV solutions).
- ✓ Linda and Mark continue to own and live in their home.

Their home equity after 10 years

Linda and Mark's equity increases by almost \$122,352 over 10 years.

	Today	In 10 Years
Home Value	\$850,000	\$1,142,329
HEB Advantage Loan	\$297,675	\$297,675
Total Accrued Interest	\$0	\$169,977
Total Interest Payment	\$0	\$109,560
Remaining Home Equity	\$552,325	\$674,677

Based on a 5-year term at 7.54%, and home appreciated at 3.0%.

Outcome

- ✓ The tax-free loan proceeds fully pay out the existing HELOC and other outstanding debts, simplifying multiple debt obligations into a single monthly-interest payment of \$913 for the first 10 years.
- ✓ As a result, their total monthly obligations decrease from \$2,860 to \$1,608 per month, improving monthly cashflow by approximately \$1,252 per month.
- ✓ After the initial 10-year payment period, no mandatory monthly payments are required, providing additional flexibility as they transition further into retirement.
- ✓ Their investment portfolios remain intact and continue to grow.

To learn how HEB Advantage can support your clients, speak with your **HomeEquity Bank BDM** or visit **HEBAdvisor.ca** for more information.