QUICK COMPARISON

HELOC vs. Fixed-Rate (Closed-End) Second Mortgage

A side-by-side look at the two most common ways to borrow against your home without refinancing your first mortgage, with two examples to help you choose.

Reviewed November 18, 2026 against the sources listed at the end of this guide.

The short answer

Both are usually second mortgages that sit behind your existing first mortgage, and both use your home as collateral. The main difference is **how you get the money**:

- A **fixed-rate second mortgage** (also called a closed-end second or home equity loan) gives you **one lump sum** to repay on a set schedule.
- A **HELOC** gives you a **line of credit** to draw from as needed during a draw period.

Side by side

	Fixed-rate (closed-end) second	HELOC
How you receive money	All at once, at closing	As needed, up to a limit, during the draw period
Interest is charged on	The full amount from day one	Only what you have drawn
Rate	Often fixed; can be adjustable	Usually variable (index plus margin)
Payment	Usually the same each month, principal and interest	Changes with balance and rate; often interest-only during the draw period
Re-borrowing	No	Yes, during the draw period
Biggest payment risk	Low, if fixed-rate	A rate increase, or the jump when repayment begins
Disclosures	Loan Estimate and Closing Disclosure	HELOC-specific disclosures and the CFPB HELOC booklet
Cancel within 3 business days (primary home)	Generally yes	Generally yes
Usually best for	A known, one-time expense	Costs that come in stages or are uncertain

Fees, limits, rate caps and prepayment terms vary by lender.

Two examples

> **Hypothetical example 1: one upfront expense.** Nina and Joe need $120,000 to buy out a sibling's share of an inherited family home. They need the full amount on one date and want to know exactly what they will pay. A **fixed-rate second** fits: one lump sum, a fixed payment and a payoff date. A HELOC would work too, but they would be drawing the full line on day one and taking on rate risk without using its flexibility.

> **Hypothetical example 2: staged spending.** Carla is remodeling her kitchen and adding a bathroom over nine months. Her contractor will bill in four payments, and the final cost may land anywhere between $90,000 and $130,000. A **HELOC** fits: she pays interest only on what she has drawn, and she doesn't have to guess the total in advance.
>
> Amounts in both examples are illustrations only.

Questions that decide it

- Do I need all the money now, or over time?
- How would I handle a higher payment if rates rise?
- How soon do I expect to pay it back?
- What are the total fees for each, and is there a prepayment penalty or early-closure fee?

For the full picture, see our HELOC Guide and Fixed-Rate (Closed-End) Second Mortgage Guide.

Your next step

Tell us what you are trying to do and we will tell you, plainly, which options fit and what to gather. There is no cost to talk it through.

Start a free loan evaluation: journeymac.com/evaluation

Call: (626) 716-0585 **Email:** info@journeymac.com

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This guide is general education, not a loan offer, a rate quote or legal, tax or financial advice. Program rules change and lenders add their own requirements; confirm details for your situation before you act. Examples marked "hypothetical" are illustrations only.

Sources

Reviewed November 18, 2026. Program rules change; check the current version of each source.

1. CFPB: What is a home equity loan or HELOC?
   www.consumerfinance.gov/ask-cfpb/what-is-a-home-equity-loan-or-heloc-en-247/
2. CFPB: Home equity lines of credit booklet (October 2026 edition)
   files.consumerfinance.gov/f/documents/cfpb_heloc-booklet-web.pdf_202610.pdf
3. FTC: Home equity loans and home equity lines of credit
   consumer.ftc.gov/articles/home-equity-loans-and-home-equity-lines-credit