



Home Equity Line of Credit (HELOC) Remains Great Lending Option for Many Homeowners

Tax reform for 2018 has caused much confusion about home equity lines of credit, HELOCs as they are known, and whether the interest from these loans is still tax deductible. **The good news is that, under certain criteria, HELOC interest may still be deductible.**

Thanks to a clarification by the IRS in February 2018, we now know under what circumstances HELOC interest is deductible. Under the old tax code, funding from a HELOC could be used for anything and the interest was tax deductible on the homeowner's federal income tax form. Now, the interest will remain tax deductible on your federal income tax form only if the borrowed money is used to **substantially improve, expand or purchase your primary residence and the combined total of the original mortgage and the HELOC is not more than the federal limit of \$750,000.**

Andy Jordan, Senior Vice President and Senior Lending Officer of Providence Bank, explains: "While tax deductions for HELOCs have changed, they are still a great option for many homeowners. You won't be able to deduct the loan interest for every use but, if you're purchasing a new home or renovating or expanding your current home, the deduction may still be available. **Even without the tax deduction, HELOCs are still a flexible, inexpensive consumer loan with lower rates and longer repayment terms than many consumer loan products.** A HELOC may still make sense for debt consolidation, major asset purchases, college expenses or even taking your dream vacation."

Jordan continued: "We expect these types of home equity loans to remain popular with homeowners. In some cases, the interest will still be tax deductible but even without tax deductibility, HELOCs are still a desirable option for many homeowners looking to tap into the equity in their homes. **Currently, interest rates are historically low for HELOCs which makes them even more desirable.**"

If you don't itemize your deductions or choose not to itemize in 2018, the change in HELOC interest deductions may not impact your tax return. **As always, check with your tax advisor on interest deductions and to ensure a HELOC makes sense for your individual tax situation.**



**4955 Windward Parkway
Alpharetta, GA 30004
678-624-BANK (2265)**

