A GUIDE FOR HOMEOWNERS

CASH

EQUITY IN. CASH OUT.

One new mortgage, plus cash in hand.

How a cash-out refinance works, how much you can take out, how it compares to a home equity loan or line, and how to use your equity wisely.



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START HERE

YOUR HOME'S EQUITY IS A TOOL. USE IT CAREFULLY.

If you've owned your home for a while, you've probably built up **equity**, the difference between what it's worth and what you owe. A **cash-out refinance** lets you turn some of that equity into cash.

You replace your current mortgage with a larger one and receive the difference at closing. Homeowners use it to **pay off high-interest debt**, **renovate**, cover college or fund a business, all with one loan and one payment.

I've been helping families into homes since 1993, first as a Realtor and now as a mortgage lender. Read this, then call me. I'll show you how much you can take out, what it costs, and whether a cash-out is better than the alternatives.

Brian

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WHAT A CASH-OUT REFINANCE IS

A bigger new loan, with the difference paid to you.

A cash-out refinance **pays off your current mortgage** with a new, larger loan. After costs, the difference is paid to you, or used to pay off debts directly, at closing.

+	**HOME VALUE**	Set by a new appraisal
×	**MAXIMUM LTV**	The share of value you can borrow, set by your loan type
−	**CURRENT BALANCE**	What you still owe on your mortgage
−	**CLOSING COSTS**	Can usually be paid from the loan
=	**CASH TO YOU**	Paid at closing, or directly to your creditors

GOOD TO KNOW: You'll get a new rate and a new term. If today's rate is higher than your current one, a home equity loan or line may make more sense. More on that on page 07.

WHO A CASH-OUT FITS

Built for homeowners with equity and a clear plan for the money.

USUALLY A GOOD FIT

- You have significant equity in your home
- You have high-interest credit card or personal loan debt
- You're planning a major renovation
- You need funds for college or a business
- Today's rates are close to, or below, your current rate
- You want one fixed payment

KNOW GOING IN

- Your **loan balance goes up**
- Debt moves onto your **home**
- Closing costs apply
- A new 30-year loan **restarts the clock**
- You'll need an **appraisal** and full qualifying
- You may lose a low rate you have now

REAL TALK: If your current rate is much lower than today's, refinancing your whole balance just to get cash out can be expensive. I'll compare it with a home equity loan or line before you decide.

HOW MUCH YOU CAN TAKE OUT

Maximum loan-to-value limits by loan type.

Each loan type limits how much you can borrow as a share of your home's value. That's your **maximum loan-to-value (LTV)**.

LOAN TYPE	MAXIMUM LTV (GENERAL)	GOOD TO KNOW
CONVENTIONAL, PRIMARY HOME	80%	The most common cash-out choice
FHA	80%	Must have owned and lived in the home 12 months
VA	Up to 90% at many lenders	Can also refinance a non-VA loan into VA
CONVENTIONAL, INVESTMENT (1 UNIT)	75%	Lower limits for 2–4 units

GOOD TO KNOW: Limits are general agency guidelines as of October 2026. Credit score, property type and lender rules can lower them.

WHAT IT LOOKS LIKE: AN EXAMPLE

A conventional cash-out, step by step.

Here's how a conventional cash-out might look on a home worth $400,000. Your value, balance and costs will be different.

Appraised home value	**$400,000**
Maximum loan at 80% LTV	**$320,000**
Less: current mortgage balance	**($210,000)**
Less: estimated closing costs	**($6,000)**
CASH AVAILABLE TO YOU	**$104,000**

EXAMPLE ONLY. NOT A RATE QUOTE OR LOAN ESTIMATE.

TAKE LESS

You don't have to take the maximum. Borrow only what you need.

PAY DEBTS DIRECTLY

Creditors can be paid off at closing, so the money goes where it should.

LEAVE A CUSHION

Keeping some equity protects you if values dip.

CASH-OUT VS. HOME EQUITY LOAN VS. HELOC

Three ways to tap your equity.

	CASH-OUT REFINANCE	HOME EQUITY LOAN	HELOC
YOUR FIRST MORTGAGE	Replaced	Kept as-is	Kept as-is
HOW YOU GET THE MONEY	Lump sum at closing	Lump sum at closing	Draw as needed
RATE	Usually fixed	Usually fixed	Usually variable
PAYMENTS	One payment	Two payments	Two payments
BEST WHEN	Today's rate is near or below yours	You have a low first mortgage rate	Costs come over time, like a renovation

THE DECIDING QUESTION

How does your current rate compare to today's? If yours is much lower, keeping it and adding a second loan is often cheaper. If rates are similar, a cash-out gives you one simple payment.

SMART USES OF EQUITY

Equity is hard to rebuild. Spend it on things that last.

OFTEN SMART

- Paying off high-interest credit cards
- Renovations that add value
- Energy-efficiency upgrades
- College costs
- Starting or growing a business
- Buying an investment property

THINK TWICE

- Vacations
- Cars and other things that lose value
- Covering ongoing monthly shortfalls
- Investments you don't fully understand
- Paying off debt you're likely to run up again

CONSOLIDATING DEBT?

Rolling credit cards into your mortgage can cut your monthly payments a lot. But that debt is now secured by your home, and stretched over many years. Pay it down faster when you can, and don't run the cards back up.

REAL TALK: Ask your CPA whether any of the interest may be deductible. It depends on how you use the money.

SEASONING & QUALIFYING

How long you've owned it, and your credit, both matter.

LOAN TYPE	GENERAL SEASONING REQUIREMENT
CONVENTIONAL	Existing mortgage generally at least 12 months old
FHA	Owned and lived in the home at least 12 months
VA	At least 210 days and 6 payments on the current loan

STRONG CREDIT, SOLID DOWN PAYMENT	The most program choices and the best pricing. Usually the smoothest path.
MIDDLE OF THE RANGE	Still plenty of options. Rate, down payment and reserves vary more from program to program.
SCORES ON THE EDGE	Fewer programs fit, and the down payment carries more weight. This is where shopping the file matters most.

GOOD TO KNOW: Requirements are general and current as of October 2026. Lenders may set higher credit minimums for cash-out than for a purchase.

COMMON CASH-OUT MISTAKES

Most of these are easy to avoid.

1 TAKING THE MAXIMUM
Borrow what you need, not everything you can.

2 GIVING UP A GREAT RATE
Compare against a home equity loan first.

3 RUNNING CARDS BACK UP
Consolidation only works if the cards stay paid off.

4 RESTARTING AT 30 YEARS
Consider a shorter term to limit total interest.

5 OVERESTIMATING VALUE
Your appraisal, not an online estimate, sets the number.

6 NEW CREDIT DURING THE LOAN
Hold off on new cards or financing.

7 IGNORING COSTS
Closing costs reduce the cash you receive.

8 NOT PLANNING THE MONEY
Know exactly how you'll use it before you borrow.

REAL TALK: Almost every one of these is avoidable with a 15-minute conversation before you apply. That's the cheapest time to fix a problem.

RENOVATING WITH YOUR EQUITY

One of the most common, and smartest, uses.

Many Capital Region homeowners use a cash-out to fund kitchens, baths, roofs, additions and energy upgrades. Improvements that raise your home's value help **rebuild the equity** you used.

CASH-OUT

Best when you know the full cost up front and want one fixed payment.

HELOC

Best when costs come in stages over months.

RENOVATION REFINANCE

A HomeStyle or 203(k) refinance can be based on the after-improved value.

GET BIDS FIRST

Know your project cost before you decide how much to borrow.

GOOD TO KNOW: I have a separate guide on renovation loans. If your project is large, it may let you borrow against what the home will be worth after the work.

DOCUMENT CHECKLIST

Have these ready, and the process moves a lot faster.

- [ ] Most recent mortgage statement
- [ ] Property tax bill
- [ ] W-2s for the last 2 years
- [ ] Bank statements, last 2 months, all pages
- [ ] Contractor bids, if renovating
- [ ] Homeowners insurance declarations page
- [ ] Pay stubs covering the last 30 days
- [ ] Tax returns, if self-employed
- [ ] Statements for debts you want to pay off
- [ ] Government-issued photo ID

Every situation is a little different. I'll give you the exact list for your scenario before you gather anything.



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BOOK 15 MINUTES

EQUAL HOUSING OPPORTUNITY

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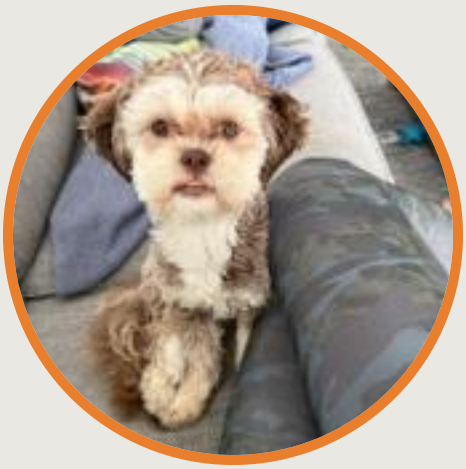
PENNY'S CORNER

A few words from our Chief Belly-Rub Officer.



PENNY SAYS

CHIEF BELLY-RUB OFFICER

Equity is like the treats you've been saving under the couch. A cash-out lets you use some of them. Dad just wants to make sure you don't eat them all in one sitting.

He'll check whether a cash-out or a HELOC costs you less. Either way, spend it on something that lasts. I recommend a fenced yard.

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Tips, updates and plenty of Penny.

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