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What to do if you're denied a HELOC or home equity loan

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Yes, a HELOC (home equity loan of credit) can be hard to get. Lenders denied 33.86% of HELOC applications in the second quarter of 2026, according to HMDA data, compared with about 16.3% of first mortgage applications — and unlike a first mortgage, a home equity line has no government-backed option with looser requirements to fall back on.



A denial isn't a verdict on whether you qualify. It's one lender's read on four specific numbers: your equity, credit score, debt-to-income ratio and income documentation. Here's how to find out which requirement caused the issue, the five moves that can fix it and what to do if you need the money now.

Why applications get denied

Four things can get home equity applications denied: too little equity in the home, a credit score below the lender's minimum, too much existing debt for what you earn and income the lender can't verify. Your adverse action notice will highlight which factor led to the denial.

The bar is higher here than on a purchase mortgage because home equity lenders get paid second. If you sell or default, your first mortgage is repaid in full before a home equity lender sees a dollar. So they require a larger equity cushion and a stronger credit profile than the bank that holds your mortgage.

Being turned down by one lender doesn't mean you can't qualify anywhere. Find the reason in your adverse action notice, then go straight to the fix that matches it — there's often no need to work through all five. Some change your odds within a week, while others can take a few months, so it's worth knowing which one you're dealing with before you reapply.

Apply with a different lender

There's no universal HELOC standard. One lender may require a credit score of 680 while another will accept 640. One caps you at 80% CLTV, while another allows up to 85%. The same application submitted the same week can get a different answer depending on which lender it lands with. This is why it's so important to shop with multiple lenders.

It's also worth shopping the product, not just the lender. Home equity lending has expanded well beyond the standard variable-rate line: fixedrate HELOCs lock your payment and interest-only HELOCs cut

payments during the draw period. If a lender denied your application for a standard HELOC because of your DTI, a product with a lower initial payment may meet the same lender's threshold.

Shopping around not only increases your odds of finding a lender that will approve you, but it can also help you save on repayment. Bankrate's Hidden Homeownership Tax research on first mortgages found that 87% of 2025 borrowers paid more than the most competitive rate available to them, at an average of $3,343 in excess costs a year and $78,186 over the life of the loan. Home equity products weren't in that dataset, but the mechanism is identical: Lenders price every borrower differently, and the only way to find the best deal is to collect more than one offer.

Increase your home equity stake

Lenders cap what you can borrow using your combined loan-to-value ratio (CLTV) — your mortgage balance plus the new line, divided by what your home appraises for. Most cap it at 80%, but some go to 85%. On a $400,000 home, an 80% ceiling means you can have $320,000 in total secured debt.

If the problem is the appraisal, challenge it before you do anything else. It's the only fix on this list that's free and fast. Ask your lender for a copy of the appraisal report — you're entitled to it — and check the comparable sales it used. If the comps are stale or in a different school zone, or the appraisal misses a renovation you've completed, submit a reconsideration of value with your own comps attached. A successful challenge can move your CLTV several points in a week.

If the problem is real equity, you're looking at a slower timeline. Extra principal payments reduce your balance directly. Renovations only help if they appraise for more than they cost, which most don't — kitchen and bath work and anything that adds square footage come closest.

Adjust your ask

If your equity stake isn't enough for the amount you want, address the problem from the other side by adjusting your loan request. Consider asking for a smaller loan or credit line — one that'll fit the CLTV limits the lender sets.

For example, if your home is worth $400,000 and you have a $300,000 mortgage balance, a lender with an 80% CLTV may allow only $320,000 in total secured debt on your home. Because you already owe $300,000, you can borrow $20,000.

Some lenders will approve a borderline application at a higher APR instead of denying it. That's a real option, but understand the cost before you accept. On a $50,000 home equity loan repaid over 15 years, each additional percentage point of rate adds roughly $4,500 to $5,000 in total interest. If the gap between the offer you can get now and the offer you could get in six months is more than a point or two, waiting is usually the cheaper decision.

Boost your credit score

If your credit score is 700 or above, you're in a good position to get approved for a HELOC or home equity loan. In fact, the median score for HELOC borrowers in the second quarter of 2026 was 771, according to Home Mortgage Disclosure Act data.

If your credit score caused the denial, start by reviewing your credit report for errors that could be affecting it. Dispute any inaccuracies with the credit bureaus. Also, improve your chances of approval by paying down debt, paying on time and avoiding new credit accounts.

Pay down your debts

Your debt-to-income ratio (DTI) is the share of your gross monthly income that goes to required monthly debt payments. Add up your mortgage payment, car loans, student loans, minimum credit card payments and any court-ordered obligations, then divide by your gross monthly income. That's your DTI. Groceries, utilities and insurance don't count.

A high DTI can significantly limit your chances of approval for a HELOC or home equity loan. Most home equity lenders look for a DTI ratio no greater than 43%, and HMDA data shows that the median DTI for HELOC borrowers was 38.55% in Q2 2026.

To improve your chances of approval, reduce your existing debt by paying off high-interest loans and credit cards. Increasing your income through extra work or negotiating raises are other ways to lower your DTI.

Alternative financing options to consider

Improving your finances takes time. If you were denied a HELOC or home equity loan, you have other ways to access the funds that you need. The right choice depends on factors like your financial situation and borrowing needs.

Personal loans: Personal loans are unsecured, which means they eliminate the risk of using your home as collateral. Funding is faster than home equity — some lenders fund the same day as approval — and the payment is fixed for the life of the loan.

The cost is the catch, and it's steep if your credit is low. Rates can be as high as 36%, and because terms are shorter, a personal loan can be a very expensive option, both monthly and overall.

Credit cards: Credit cards can be useful for smaller balances if you have a clear plan to pay them off quickly. However, the high interest rates and late payment fees associated with credit cards make them less suitable for large sums, as your debt can mount quickly.

If you were denied a HELOC or home equity loan because of your DTI, be cautious about turning to a credit card. Adding more debt to what you already have can make it harder to manage. It can also create a revolving-debt cycle where you only make minimum payments and barely reduce the balance.

Cash-out refinance

A cash-out refinance replaces your current mortgage with a new, larger loan, and you pocket the difference in cash. That means you're not borrowing against your equity on top of your mortgage — you're rewriting the mortgage itself. You can use the money for nearly anything, like home renovations or debt consolidation.

It's worth evaluating only if your current mortgage rate is at or above today's market rate, you plan to stay in the home long enough to recover closing costs of 2% to 5% of the new loan amount and you can afford the payment on the full new balance. If you locked a rock-bottom rate in 2020 or 2021, a cash-out refinance is almost certainly the most expensive way to access your equity.

Financing options to avoid

Some financing options may seem harmless if you need cash quickly or want to avoid a monthly payment. However, that convenience can come with costs and risks, so read the fine print.

- Reverse mortgages: A reverse mortgage generally lets older homeowners (55+ or 62+, depending on the product) access their home equity without traditional monthly payments. No monthly payment doesn't mean no cost — the balance grows with interest and fees for as long as the loan is open, stead-

ily reducing the equity you or your heirs keep. You also stay responsible for property taxes, insurance and maintenance, and falling behind on any of them can trigger foreclosure.

• Shared equity agreements: Also known as a home equity investment, they involve selling a percentage of your home's value or appreciation to an investor in exchange for a lump sum of cash. With this type of product, you don't make monthly principal or interest payments. However, these agreements are extremely complicated. You will be required to pay back the investor after the home is sold or at the end of a 10- to 30-year period, which could be hundreds of thousands of dollars.

Frequently asked questions

• Is it hard to get a HELOC? Nearly 34% of HELOC applicants are rejected, often due to poor credit scores, insufficient home equity or high debt-to-income ratios. The strongest applicants have a credit score of 740 or higher, a debt-to-income ratio well under the 43% cap and enough equity to keep their CLTV below 80% after the new line. Those are the conditions for the best pricing, not the minimum to qualify — most lenders will approve at a 680 score with 20% equity.

• Do lenders check income for a home equity loan? Yes. Expect to provide W-2s or 1099s, recent pay stubs and sometimes two years of tax returns. There's often no minimum income threshold for a HELOC or home equity loan, because income isn't evaluated on its own — it's used to calculate your debt-to-income ratio, which most lenders cap at 43%. Lenders are checking two things: that your income covers the new payment on top of your existing obligations, and that it's stable enough to keep doing so.

• Can you be denied a HELOC after being preapproved? Yes, a preapproval doesn't guarantee you will get a HELOC. The lender will review your credit and finances before the loan's closing to ensure you still meet their requirements. If anything changes in their final review, your loan may be denied. Avoid taking on new debt or making any large purchases to prevent any hiccups.

• Does applying for a HELOC affect your credit score? Yes, but only slightly. Each application triggers a hard inquiry, which typically costs fewer than five points and falls off your score within about a year. The larger credit risk isn't the inquiry — it's the new account itself, which adds an open line to your profile and can affect your utilization once you draw on it.

• How long should you wait before reapplying after a denial? There's no mandatory waiting period, but reapplying with unchanged numbers is likely to result in another denial. Start by requesting your adverse action notice: Your lender is required to tell you in writing why you were denied, at no cost to you, and that letter names the specific requirement you missed. If the issue was your credit score or debt-toincome ratio, give yourself 30 to 90 days to pay down balances, let the change report, then reapply. If the issue was equity or appraised value, you can apply with a different lender immediately — some allow a higher combined loan-to-value ratio, and a new application means a new appraisal.