



2026 EDITION

ALIGN LENDING GUIDE · NO. 09

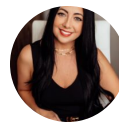
Refinancing and Home Equity in Michigan

When a change to your mortgage pays for itself, when your equity is worth reaching, and when the honest answer is to leave both alone.

INSIDE THIS GUIDE

- ✓ Start with what you want the change to do
- ✓ Michigan homeowners, by the numbers
- ✓ Break-even is a count of months
- ✓ Your house is not an ATM
- ✓ Three ways to borrow against your home

For Michigan homeowners weighing a refinance, a home equity loan, a line of credit or a cash-out refinance.



Samantha Shelton

Broker Owner and Senior Loan Originator
NMLS 1647301

Questions about your situation?

248-506-5727

samantha@alignlending.com

A refinance replaces your mortgage. A home equity loan or a line of credit sits behind it. Any of them can be the right move, and keeping the loan you have can be the right move too. This guide is the order Samantha works in: the goal first, then the cost, then how long you expect to keep the mortgage, then the structure that fits. No rates, no payment quotes, just the questions and the numbers that decide it.

Start with what you want the change to do

Most refinance conversations start with a phone call from somebody who says your payment could go down. That is one question. It is not the question. Before anyone talks about a product, work out what you want the change to do and whether it does that while you still have the loan.

"I don't think somebody should refinance just because somebody called them and told them they could."

Samantha Shelton, Broker Owner and Senior Loan Originator

Sometimes somebody is changing the structure of their mortgage. Sometimes they are reaching their equity. Sometimes their life changed. Sometimes they are trying to accomplish something completely different financially. Treating the payment as the only question is how people end up with a change that looks fine on one line and does nothing for what they actually cared about.

Moving to a fixed rate

This turns on two dates: when your rate can next adjust, and how many months the new loan takes to pay back its costs. If the costs come back before the rate can move, the switch earns its keep.

A shorter term

The trade is a higher payment for less interest over the life of the loan. It fits when the new payment still leaves room for savings and the things that break, not just when it fits on paper.

A longer term

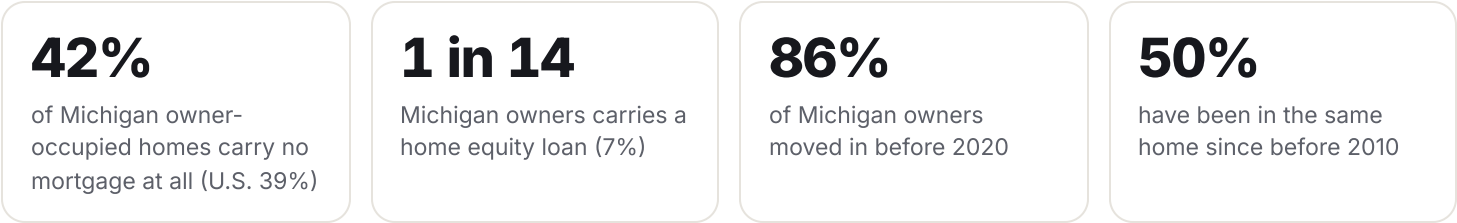
Room in the monthly budget now, in exchange for restarting the clock and usually paying more interest in total. Sometimes the monthly room matters more, and that is a fair call once you have seen both numbers.

Reaching your equity

A cash-out refinance replaces your whole mortgage to get there. If your current rate is one you want to keep, a home equity loan or line of credit sits behind it instead. Both start with why.

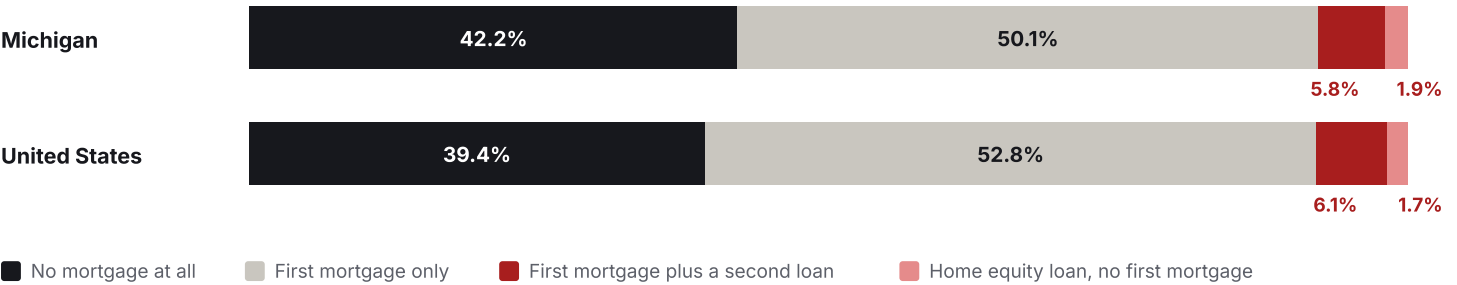
Michigan homeowners, by the numbers

Before your own numbers, it helps to see where Michigan owners stand. These figures are the Census Bureau's latest five-year survey, every owner-occupied home in the state.



How Michigan homes are held

Owner-occupied homes by what is borrowed against them, Michigan and the United States.



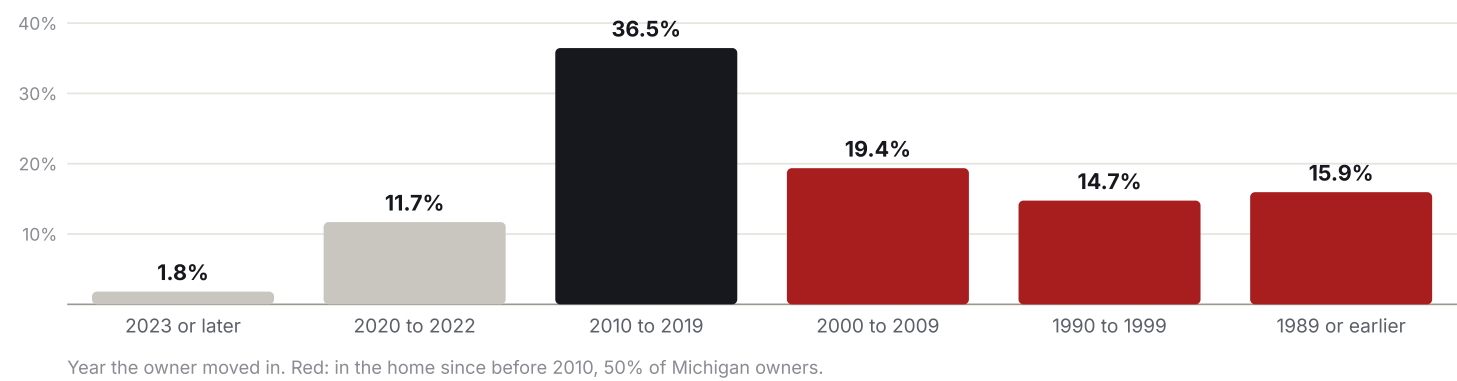
Share of owner-occupied homes. A second loan is a second mortgage, a home equity loan, or both.

Source: U.S. Census Bureau, American Community Survey 2020-2024 5-year estimates, table B25081. Michigan: 2,984,190 owner-occupied homes.

Two things stand out. Michigan has more homes with no mortgage at all than the country does, and a second loan behind the first is still the exception: about 6% of owners carry a second mortgage or home equity loan in addition to a first mortgage. Having equity is common. Borrowing against it is a decision most owners have not made.

Michigan owners tend to stay

Owner households by the year they moved into the home.



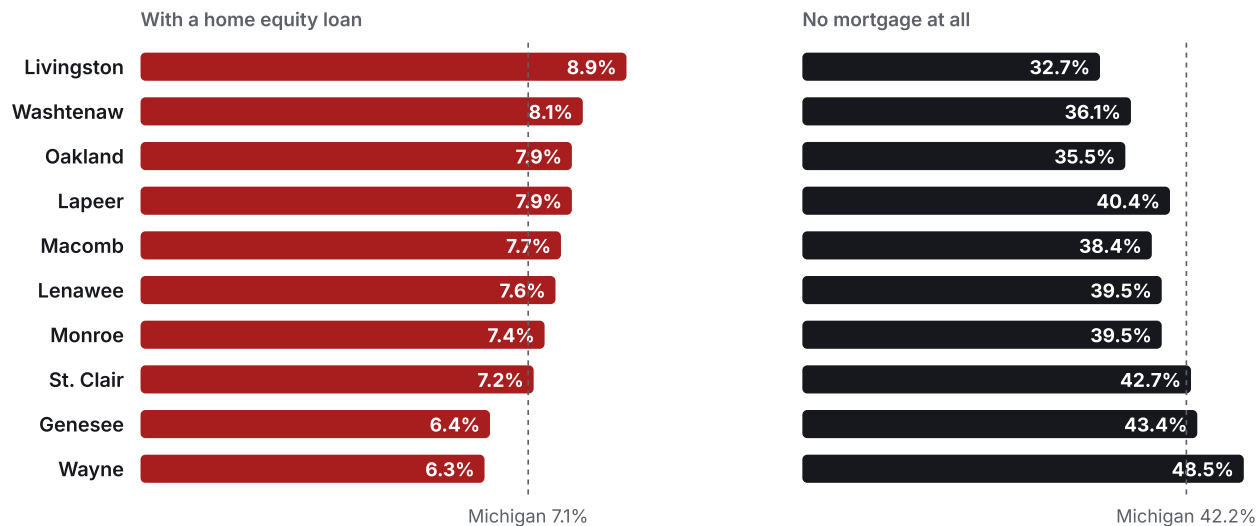
Source: U.S. Census Bureau, ACS 2020-2024 5-year estimates, table B25038. The newest group is small partly because the survey years end in 2024.

That chart matters for everything that follows. A refinance pays for itself over time, so how long you keep the mortgage moves the answer more than almost anything else. Michigan owners stay a long

time on average, but averages do not decide your loan. Your own plan does.

Ten Southeast and Mid-Michigan counties

Share of owner-occupied homes with a home equity loan, and with no mortgage at all. Dashed line: Michigan.



Source: U.S. Census Bureau, ACS 2020-2024 5-year estimates, table B25081. Home equity loan counts include homes with no first mortgage.

Break-even is a count of months

“Basically, if you're making a change to your mortgage and there are costs involved, how long does it take before the benefit of that change has made up for those costs? That's the idea.”

Samantha Shelton, Broker Owner and Senior Loan Originator

Take what the change costs, all in, and divide it by what it changes each month. The answer is a number of months. Then the bigger question: are you likely to be in the home, or in the mortgage, that long?

Where break-even sits

The cost is paid once, at closing. The monthly change adds up from there. Break-even is where the two meet.

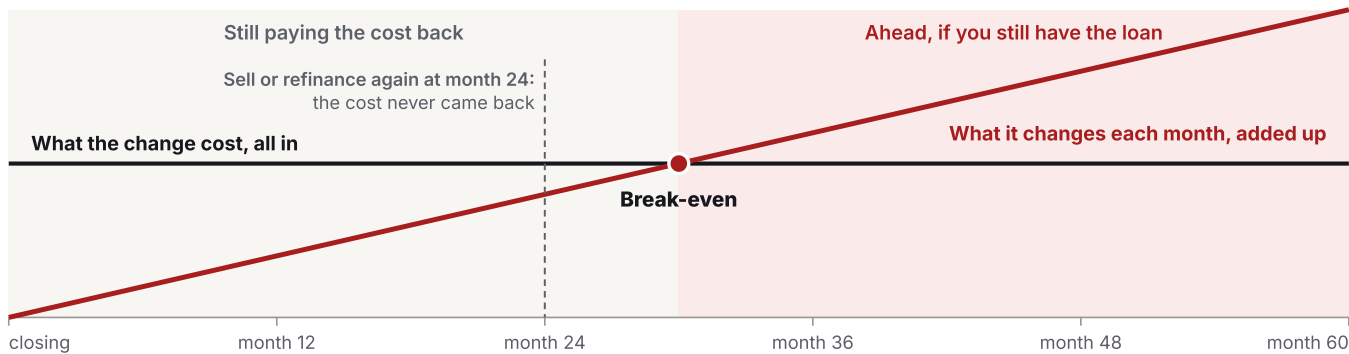


Illustration: a change that costs 30 times what it changes each month. Your own numbers move the dot.

IF THE CHANGE COSTS THIS MANY TIMES ITS MONTHLY DIFFERENCE	IT PAYS BACK IN	KEEP THE LOAN 2 YEARS?	5 YEARS?	7 YEARS?
12 times	Month 12	Yes	Yes	Yes
24 times	Month 24	Yes	Yes	Yes
36 times	Month 36	No, not yet	Yes	Yes
60 times	Month 60	No, not yet	Yes	Yes
90 times	Month 90	No, not yet	No, not yet	No, not yet

Arithmetic only, no rates or payments: the same ratio gives the same month whatever the amounts. Moving, selling or refinancing again before the break-even month means the cost never came back.

WHAT COUNTS AS A COST, ON YOUR LOAN ESTIMATE

LOAN ESTIMATE, PAGE 2	COUNT IT?	WHAT IT HOLDS
Sections A to C	Yes	Lender charges, points, and third-party services such as appraisal and title
Section E	Yes	Taxes and other government fees, such as recording
Section F	No	Prepaid items, such as interest to the end of the month and insurance: you would pay these anyway
Section G	No	The deposit that opens the new escrow account: the old escrow balance comes back to you
Section J	Subtract	A lender credit, if you took one, reduces the cost

Your current servicer refunds what is left in the old escrow account within 30 days of the payoff. A Michigan refinance owes no transfer tax.

LOOK AT BOTH NUMBERS

Restarting the term can raise the total interest you pay even when the monthly number drops. A lower payment can still be the wrong move depending on what it cost and how long you keep it.

Points you pay are part of the cost, and a lender credit reduces it. The points vs. lender credit calculator on alignlending.com compares two options from your Loan Estimates.

Your house is not an ATM

"Your house isn't an ATM. Equity is valuable. So there should be a reason behind using it."

Samantha Shelton, Broker Owner and Senior Loan Originator

Your house has a value. You owe money against it. The difference between those two numbers is basically the equity you have in the home. That does not mean all of it is money you can take out: each lender sets its own limit on everything borrowed against the home, measured against its value, then subtracts what you already owe.

SAMANTHA'S FIRST QUESTION IS WHY

- ☐ **What is the money for?** This comes before any product, because the answer changes which one fits.
- ☐ **What would the new debt look like?** A payment you can carry, for as long as the loan lasts.
- ☐ **How does it fit the rest of your finances?** Not one line on its own, the whole picture once you put it together.
- ☐ **Does it solve the problem, or move it?** The honest test for debt consolidation in particular.
- ☐ **Is doing nothing the better answer right now?** A legitimate outcome, not a failure to decide.

Paying off other debt

Card balances become debt secured by your home, usually paid over a longer term, so a missed payment puts the house at risk and a lower rate can still cost more in total. What keeps the cards from filling back up?

Renovating or repairing

Will the money go out all at once, or as the work is billed? Get the contractor's quote in hand first, because it decides both the amount and the structure.

A large one-time expense

Tuition, a medical bill, a family need. When you need the money decides the fit as much as how much you need.

Having it there just in case

A line can be frozen or cut if your home's value falls significantly or your finances change. Having equity and having money available are not the same thing.

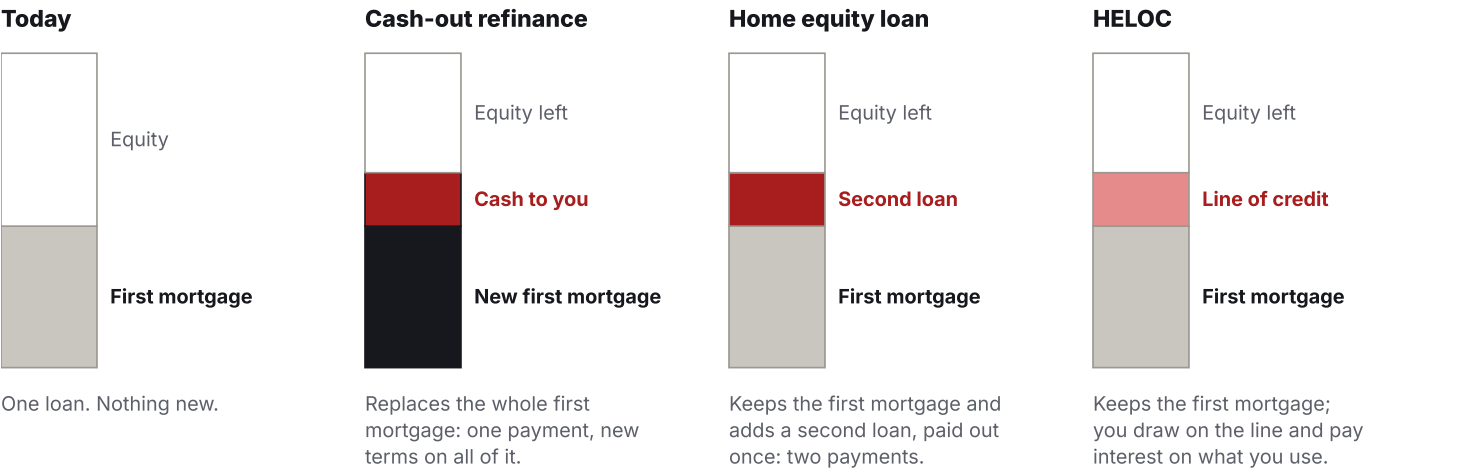
"When I don't understand the reason. Or when after we talk through it, the person realizes they're solving a short-term problem by creating a bigger long-term one."

Samantha Shelton, Broker Owner and Senior Loan Originator

Three ways to borrow against your home

What each one does to the loans on your house

Same home, same value. The difference is whether the first mortgage is replaced, and how the money arrives.



	CASH-OUT REFINANCE	HOME EQUITY LOAN	HELOC
Your first mortgage	Replaced by a new, larger loan	Stays in place	Stays in place
How the money comes	One lump sum	One lump sum	Draw as needed, repay, draw again
Payments	One	Two	Two
Rate	Fixed or variable	Generally fixed	Usually variable: a public index plus a margin
Closing costs	On the whole new loan	Its own, usually smaller, set	Its own; some lines add annual or early-closing fees
Cost disclosure	Loan Estimate	Loan Estimate	Home equity disclosures and the CFPB HELOC booklet
Fits when	You are open to replacing the first mortgage and need a defined amount	You want to keep the first mortgage and can name the cost now	You want to keep the first mortgage and will use the money off and on

Three questions decide the structure

1 Do you want to keep the first mortgage you have?

If its rate is one you want to keep, a second loan sits behind it. If you are open to replacing it, a cash-out refinance is on the table.

2 Do you need the money all at once, or over time?

A defined amount now points to money paid out once. Money you will use off and on points to a line you draw on.

3 How long do you expect to need it?

A cost you can name now, paid down on a schedule, fits a loan. Money used off and on over years fits a line.

Pointing early is how people end up with the wrong structure. All three answers first, then the comparison.

The rate you hold now is the first number to find. A cash-out refinance replaces it on the whole balance; a home equity loan or a line leaves it in place and adds a second rate on the new money only. The lower your current rate, the more a second loan tends to make sense.

ON A LINE OF CREDIT

The draw period ends, and when it does, borrowing stops and the balance is repaid on your agreement's schedule. The CFPB notes payments are often significantly higher then, and some plans require the whole balance at once.

Ask each lender what the payment would be at the line's maximum rate, not only at the start. Your disclosures must state that maximum.

In Michigan, borrowing keeps your tax cap. Selling resets it.

In Michigan, a home's taxable value is capped while one owner holds it. The year after it sells, that cap comes off and taxable value resets to the state equalized value, which is half of the assessor's estimate of market value, not automatically half of what you paid.

A loan is different. Michigan law says a transfer for security is not a transfer of ownership (MCL 211.27a(7)(j)), so a refinance, a home equity loan or a line of credit leaves your taxable value capped. The bill still moves with the yearly inflation cap and any millage change.

+50%

average jump in taxable value when a Michigan home sells, 2026

\$1,508

added first-year tax on a \$300,000 home at the statewide median homestead rate

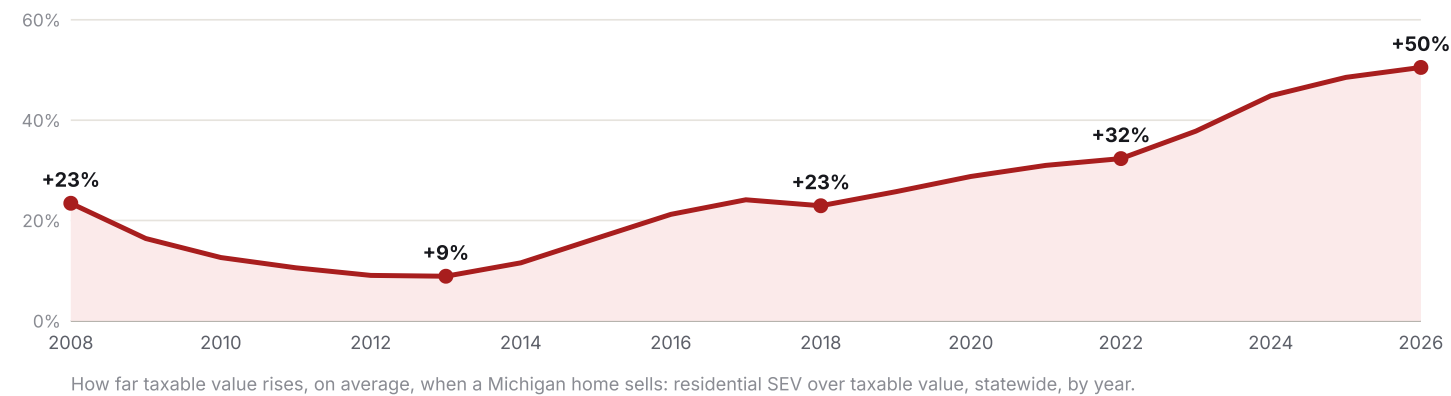
+9%

the same jump in 2013, before a decade of rising values

0

uncapping from a refinance, a home equity loan or a HELOC

The jump at sale has more than quintupled since 2013



Source: Align Lending, Michigan Property Tax Uncapping Study (2026 edition), from State Tax Commission equalization reports. CC BY 4.0.

That is why a renovation weighed against a move is never only about the house. If you are deciding between borrowing to improve the home you have and selling to buy another, the buyer's tax bill on the next home belongs in the comparison.

COUNTY	OWNER HOMES	NO MORTGAGE	HOME EQUITY LOAN	MOVED IN BEFORE 2010	JUMP AT SALE	ADDED TAX, \$300,000 HOME
Genesee	118,363	43%	6%	49%	+46%	\$1,793
Lapeer	29,974	40%	8%	52%	+48%	\$1,220
Lenawee	30,924	40%	8%	51%	+40%	\$1,215
Livingston	66,404	33%	9%	46%	+38%	\$1,043
Macomb	269,056	38%	8%	50%	+45%	\$1,880
Monroe	51,502	40%	7%	53%	+37%	\$1,180
Oakland	385,500	36%	8%	48%	+39%	\$1,512
St. Clair	54,782	43%	7%	51%	+49%	\$1,406
Washtenaw	92,768	36%	8%	50%	+38%	\$1,456
Wayne	453,652	48%	6%	53%	+57%	\$2,767
Michigan	2,984,190	42%	7%	50%	+50%	\$1,508

Census ACS 2020-2024 (B25081, B25038) and the 2026 Uncapping Study (taxable value jump and added first-year tax at each county's median homestead millage). The Michigan property tax calculator gives a planning figure for a specific address.

The protections and the paperwork

☐ **Three business days to cancel.** On a home you live in, a refinance, a home equity loan or a line

of credit carries a right to cancel for three business days after you sign, before the new loan funds. On a refinance with your current lender, it covers only new money borrowed.

- ☐ **The right disclosure for the loan.** A refinance and a fixed home equity loan come with a Loan Estimate. A HELOC is open-end credit, so you get home equity disclosures and the CFPB's HELOC booklet, and no one may charge a nonrefundable application fee until three business days after you receive them.
- ☐ **Interest deductions have a test.** The IRS says interest on home equity loans and lines is deductible only when the money buys, builds or substantially improves the home that secures it (IRS Publication 936). Paying off cards does not meet it. Ask a tax professional about your own return.
- ☐ **Your home is the collateral.** If you cannot repay on schedule, you could lose it.
- ☐ **Mortgage insurance follows the new loan.** A new FHA loan carries its own premium; a conventional loan with enough equity on the new appraisal carries none.

WHAT TO HAVE READY

- ☐ **Your latest mortgage statement** plus statements for any other loan against the home, including down payment assistance, whose own terms may say it is repaid on a refinance.
- ☐ **Homeowners insurance declarations page and property tax bill**
- ☐ **Recent pay stubs and W-2s** or tax returns if you are self-employed. Each lender sets its own list.
- ☐ **The reason for the money and a rough amount** For a renovation, the contractor's quote.
- ☐ **Any offer you already have** with its Loan Estimate or disclosures, so it can be read side by side.

QUESTIONS TO ASK ANY LENDER

- ☐ **What does the change cost, all in, and where is each line on the Loan Estimate?**
- ☐ **How many months until that cost comes back?**
- ☐ **What happens to the total interest if the term restarts?**
- ☐ **On a line: what is the payment at the maximum rate, and what changes when the draw period ends?**
- ☐ **What fees come after closing?** Annual, inactivity, early cancellation or conversion fees.

Sometimes the answer is to change nothing

Run the four questions: what is the goal, what does it cost, how long do you expect to keep the mortgage, and what changes. If the answers do not add up, do not do it. Knowing your numbers and keeping the loan you have is a fine result, and it is a better place to be than wondering.

HOW SAMANTHA WORKS

Once she understands the reason, she puts a refinance, a fixed home equity loan and a line of credit side by side, from multiple wholesale lenders, so you can see the tradeoffs. If the honest answer is to leave your mortgage and your equity alone for now, she will tell you that.

NEXT STEP

Talk it through before you decide anything

The first conversation does not have to turn into anything. No application, no credit pull, and no obligation to go further.

Tell Samantha what you are trying to do and she will tell you what actually matters in your situation. If the answer is that you should wait, she will say that too.

Open the Refinance overview →

alignlending.com/refinance/



Scan to open the
Refinance overview



Samantha Shelton

Broker Owner and Senior Loan Originator,
NMLS 1647301

Phone 248-506-5727

Email samantha@alignlending.com

Web alignlending.com

Office Waterford, Michigan

This guide is educational. It is not an advertisement for a specific credit product, not an offer or commitment to lend, and nothing in it is a rate quote or a credit decision. All loans are subject to credit approval. Programs, guidelines and terms change, so confirm anything here against your own situation before acting on it.

Align Lending LLC, NMLS 2041154. Samantha Shelton, NMLS 1647301. 2625 Pontiac Lake Road, Waterford, MI 48328. Licensed in Michigan, Ohio, North Carolina, Florida, Louisiana and Texas. Equal Housing Opportunity.

Equal Housing Opportunity.