

Frequently Asked Questions about Your Home Equity Line of Credit (HELOC)

How does a HELOC work?

- A HELOC is a flexible, revolving form of credit secured by your home. The term is 30 years.

There are three components to the 30-Year Term

- Draw Period
- Interest Only payment period
- Repayment period

Draw Period

- Access equity on the Line for a designated period of time
 - Your HELOC will have a 2, 3, 5, or 10 year Draw Period (refer to your Closing Agreement for specific terms)
- Draw against the Line
 - After the initial draw is taken at closing, there are no minimum draw requirements
 - Draw over and over again up to your available balance

Interest Only Payment Period

- Regardless of which draw period you have selected, there is a set interest only payment period. During this time, you have several choices regarding payments:
 - Make a minimum required interest only payment, or
 - Make a principal reduction payment, or
 - Pay to zero – It's your choice!

Repayment Period

- Once the draw period ends, the account enters the Repayment Period
 - During the Repayment Period, you can no longer draw on the line. The new minimum payment will ensure the balance is paid in full by the loan maturity date. The interest rate on the balance continues to be variable based on the value of the Wall Street Journal Prime Rate.

What makes my HELOC an attractive financing option?

- Interest rates are typically lower than unsecured lending such as a credit card because your home is used as collateral
- You have an interest only minimum monthly payment during the Draw Period
- You may pay down your principal with no penalty, thus:
 - Lowering your minimum monthly payment
 - Having access to your Equity again and again

What can I use a HELOC for?

- Buy or refinance a primary or secondary residence
- Get cash out on an existing residence
 - Consolidate debt/high interest rate credit cards
 - Pay higher education fees/tuition
 - Home improvements/renovations
 - Down payment for a second home or investment property
 - Emergency funds
 - Purchase a high-cost item
 - Keep your cash in your investment accounts
 - Anything you and your family need – It's up to you!

What is good example of how to use my HELOC?

- An unexpected event happens, i.e., HVAC system needs to be replaced
- Use your credit card to pay for the repair and Get Your Points!
- Pay off the credit card with the HELOC
- The monthly interest rate on your HELOC is *lower* than the rate on the Credit Card, therefore, *a lower payment*
- Make the minimum payment, or principal reduction – Your Choice!

Is my HELOC tax deductible?

- Interest on HELOC loans may be tax deductible. PLEASE CONSULT YOUR TAX PREPARER FOR DETAILS.

Is my HELOC rate fixed or variable?

- A HELOC is a variable rate loan. The **monthly** payment is determined by:
 - The value of the Wall Street Journal Prime Rate as published on the first business day of the billing cycle PLUS a margin as described in the Closing Agreement
 - The outstanding principal balance
- The payment could be different every month based on the two variables described above.

How can I access the funds available in my HELOC?

- Request a book of checks
- Authorize a Wire Transfer (a fee may apply)
- Online banking