Home Equity Line of Credit (HELOC)

What is Home Equity? Think of it as the value of your home or property.

Home Equity is the Current Market Value (appraisal) of your house minus (less) any mortgage payments left on your house. As you continue to make mortgage payments, your home equity (or house value) will increase. Your home equity may also increase from improvements done on the property.

I.e. $100,000 (appraised value) **–** $50,000 (mortgage) **=** $50,000 (Home Equity)

LTV (Loan to Value) 80%

$30,000 borrowing limit based on the example above.

How does it work?

A Home Equity line of credit works like a credit card. You have a billing cycle and your payments will be due monthly.

**You don't receive a coupon book for the loan. It's required to have the payment automatically charged from your account here.*

Instead of a credit card, you use checks. You can use your checks when necessary.

There's a draw period and a repayment period equaling 20 years.

The "draw period" is 10 years. This allows you to have credit advances (You make monthly payments while in the draw period)

- Minimum draw amount is $500.00

The "repayment period" is 10 years. You no longer can get credit advances.

So, the full term of the loan is 240 Months or 20 years.

The **APR** is linked to Prime **+**1 (Causing it to be a Variable Rate)

The current prime rate is 3.5% (Wall Street Prime Rate) **+**1

Calculating the payment- Principal **/** 120 = Principal for the month

Principal **x** APR = Interest for the year **/** 365 = Interest for the day **x** # of days in the month = Interest for the month

Principal for the month **+** Interest for the month = Your Payment