

# PACIFIC TRANSPORTATION FEDERAL CREDIT UNION

## HOME EQUITY

### FREQUENTLY ASKED QUESTIONS

**1. What is the difference between a home equity loan and a home equity line of credit?**

A home equity loan has a fixed interest rate and term; therefore your payments stay the same each month. A home equity line of credit features a variable interest rate with a draw period of 10 years and a repayment period of 20 years. During the draw period, your monthly payments can be principal and interest or interest only on your outstanding balance.

**2. Must I own a home to get a home equity line of credit or loan?**

Yes

**3. Must I occupy the residence I'm using as collateral?**

Yes.

**4. How much can I borrow?**

Your credit limit (also known as available equity) is determined by taking a percentage (80%) of your home's appraised or fair market value, and subtracting the balance on any outstanding mortgages on the property. If you qualify, the minimum home equity loan credit limit is \$5,000 and \$250,000 maximum for lines and fixed home equity.

**5. What are the terms or repayment periods available?**

Home equity loans offer a term of 20 years. Home equity lines of credit offer a 10 year draw and 20 years repayment. At the end of the 10 year draw period the line is closed and becomes a variable rate 20 year loan.

**6. What are the minimum payment terms?**

For home equity loans, the amount you borrow determines your interest rate and payment amount which stays for the life of the loan.

For home equity lines of credit, your minimum payment during the 10 year draw period is calculated by reference to the unpaid balance, the APR and a payment term of 20 years.

**7. Is the interest rate fixed or variable?**

Home equity loans offer a fixed interest rate with fixed monthly payments, while home equity lines of credit feature a variable rate tied to the Prime Index so monthly payments can increase or decrease as Prime rate and principal balance change.

**8. How is the interest rate calculated?**

The general interest rate level in the economy is influenced by the Federal Reserve Board of inflation, demand or borrowing money, the stock market, and a number of other factors.

A home equity line of credit has a variable interest rate, so monthly payments increase or decrease as rates and your principal balance change.

A home equity loan has a fixed interest rate, giving you the peace of mind that your payments won't change with rate fluctuations.

**9. What is the maximum APR on my home equity line of credit?**

The Annual Percentage Rate (APR) for a PTCFU line of credit will not exceed 15 %.

**10. What is the minimum APR on my home equity line of credit?**

The Annual Percentage Rate (APR) for a PTCFU line of credit will never be lower than 5%.

**11. Is the interest tax deductible?**

In most cases the interest on a home equity loan or line of credit of up to \$100,000 and a loan to value of 100%, is tax deductible. Consult your tax advisor about your specific issue. IRS Publication #936 "Home Mortgage Interest Deduction" has more information.

**12. How quickly can I get approved?**

If you apply on line you will be approved within 48 hours, subject to credit, appraisal and income verification information.

**13. How quickly can I close my loan?**

You can close your loan within 15 business days if you qualify. In order to qualify you must meet certain credit criteria and a full appraisal is required. The average time closing a loan varies, but generally loans close within 20 to 25 business days.

**14. Can I lower my interest rate by paying more up front when I open my loan or line?**

No, you can not buy down or lower your interest rate.

**15. What financial benefit do I receive by accepting auto payment from my checking account?**

You will receive a .25% rate discount off your home equity fixed interest rate.

**16. What happens if I cancel auto payment from my checking account?**

Your agreement for automatic transfer of payments will be cancelled and your fixed interest rates will increase by .25% and auto payment will no longer be offered to you on your current program.

**17. Is there an annual fee?**

A home equity line of credit has a \$75 annual fee which is waived each year with \$10,000 average daily balance over 12 months.

**18. What happens if I close my Fee-Free loan before the 3 year anniversary date of my loan? Early Termination**

If during the first three (3) years from the date of your Note, you payoff the loan balance and close the Account, you will reimburse PTFCU up to \$500 for fees paid on your behalf associated with the funding of your loan.

**19. What is the minimum draw requirement for a line of credit?**

The minimum initial advance you may draw during the 10 year Draw Period is \$250.

**20. What Index is used to determine my line of credit rate?**

The index is the Prime rates as published in the "Money Rates" section of the Wall Street Journal.

**21. How is my monthly home equity line of credit rate calculated?**

Your rate is subject to change every month on the first (1<sup>st</sup>) day of each month thereafter. For example, the Index in effect as of the first (1<sup>st</sup>) business day of March will be used to calculate the Annual Percentage Rate change effective on the first (1<sup>st</sup>) day of April.

**22. How can I access my home equity line of credit?**

Line of credit checks and online.

**23. When will I be billed and how often?**

Your home equity loan payment is due monthly. For home equity lines of credit you will receive a payment statement each month you carry a balance.

**24. What does CLTV mean?**

Combined-Loan-to-Value.

**25. How do I advance cash off my line of credit?**

You will be issued checks to purchase goods and services or to obtain cash up to the amount of your credit limit. Use of your checks is an advance on your account.

**26. What is a Junior Lien/Super Eagle Policy?**

The Policy is a short version of the 1992 ALTA policy. Eagle Coverage is specially added protection in addition to all of the regular coverage's given in a 1992 ALTA Loan Policy. Some of the added coverage's were available with special endorsements with an additional cost if the lender requested them. These coverage's are now built into the policy so the lender does not need to specifically request them. The Eagle is approved by Fannie Mae and Freddie Mac. Bottom line is there is a huge savings in title policy for the Member and the Credit Union. From loan amounts of \$5,000 up to \$250,000 the Junior Lien Policy is \$110.