

Key Facts About Interest Only Home Equity Lines of Credit

Whether you are buying a house or refinancing your mortgage, this information can help you decide if an interest-only home equity line of credit (HELOC) is right for you. An “interest-only” HELOC allows you to pay only the interest on the money you borrowed for the first five or ten years of the mortgage. The first five or ten years is known as the “interest-only period.” If you only pay the minimum amount due (interest and any fees), once the interest-only period ends:

- You will still owe the original amount you borrowed.
- Your monthly payment will increase significantly because you must pay back the principal as well as interest and fees.

<u>Benefits</u>	<u>Risks</u>
<ul style="list-style-type: none"> • Interest-only mortgage payments during the interest only or draw period. • A home equity line of credit is a reusable source of funds • No negative amortization • Easy access to your home equity credit line with checks or credit card (available in most states)* • May be able to borrow up to 100% of your home's value • Interest incurred with a home equity line of credit may be tax deductible** • Conversion Option*** – you may convert all or a portion of your HELOC balance to a fixed-rate amortizing line of credit. 	<ul style="list-style-type: none"> • You will still owe the original amount you borrowed at the end of the interest only period. • Your mortgage payment will increase significantly, because you will have to start paying back principal as well as interest during the repayment period. • Your interest rates may increase as often as monthly, which will increase your monthly payment. • If your home does not increase in value and you make interest only payments, you are not building equity (value) in your home. (See “Home Equity” under Additional Information, next page.) • You are responsible for payment of property taxes and insurance. • There is an early termination fee (or prepayment penalty) of \$500 for closing your HELOC within the first 3 years.

*Home equity line of credit loan products are not available in Alaska and cannot be applied for online for real estate properties or home in Hawaii or Texas. To apply for a Home Equity Line of Credit for a real estate property or home located in Hawaii or Texas, please visit a financial center in one of those states or call (808) 599-2870 in Hawaii and (866) 849-8111 in Texas.

**Consult your tax advisor regarding the deductibility of home equity loan interest and charges. Subject to certain terms and conditions.

***Fixed-rate conversion/commitment fee (FINANCE CHARGE) is \$100 for each conversion and is subject to change. Fixed-rate conversion applies to single-family, owner-occupied properties or 2nd homes. (Townhomes or condos are also acceptable.) The original HELOC must be in 1st, 2nd, or 3rd lien position on title. The fixed-rate conversion option does not apply to any HELOC product with a CLTV greater than 100%. Not available on HELOCs that have already been converted to our Loan-in-a-Line offerings. Fixed-rate conversions are not allowed for HELOCs secured by properties in Texas or on HELOCs which have previous past due payment of

60 days or more. Fixed rate conversions are available during the draw period only. Terms, rates, and fees are subject to change, without notice, prior to closing your fixed-rate conversion. Minimum conversion amount is \$10,000. Certain restrictions and documentation requirements may apply.

Additional Information

- Home Equity. Home equity is created when the value of your home increases and/or when you reduce the amount you own on your home through your loan payments. If your home does not increase in value and you make interest-only payments, you are not building equity. This may make it harder to refinance your mortgage or to receive funds from the sale of your home. In fact, if the amount you owe on your home, along with the costs associated with selling it (such as the real estate sales commissions and closing costs) exceeds the sales price, you will not receive any cash when you sell and will have to pay additional funds to your lender or to other parties when you pay off your mortgage.
- Early Termination Fee(prepayment penalty). Our HELOC has an early termination (prepayment) fee. Our current fee is \$500 for closing your Heloc within the first three years (excludes NY, TX and WV). You may make extra, additional principal payments with your monthly payment – this is not early termination (prepayment) of the entire loan and there is no penalty for these extra amounts.
- No Doc/Low Doc HELOCs. Lenders often charge more for “reduced documentation” loans. These loans typically have higher interest rates or other costs compared to “full documentation” loans that require you to verify your income and other assets. (By verifying your income, you help the lender to be sure that you can afford the loan payments.) If you are considering a loan with a reduced documentation feature, ask if you will be required to pay more (in interest and/or fees) for not submitting income and asset documentation.

SEE THE ‘IMPORTANT TERMS’ HOME EQUITY DISCLOSURE PROVIDED
AT APPLICATION FOR ADDITIONAL INFORMATION