



A Practical
Guide to
**Home Equity
Financing**



HudsonValley[®]
CREDIT UNION

Introduction

Looking to cross some things off your to do list? Whether you're planning a wedding, paying down debt, giving your backyard a much needed makeover, starting a business, or getting tuition payments in order, your home's equity is a great resource for affordable financing.



We've compiled all of the information you need to know about home equity financing to help you make the best decision for your needs. Inside you'll find a list of important terminology, a comparison of home equity options, and more.

Questions?
Visit hvcu.org, call us at 845.463.3011, or visit your local branch.

What is Home Equity?

Your home's equity is the current appraised value of your home, minus your outstanding mortgage balance. For example, in this scenario on the right, the homeowner has \$100,000 in equity.

Value of your home: \$300,000

Amount you owe: - \$200,000

Your Home Equity: **\$100,000**

Important Terminology

Below are some important terms to keep in mind when researching your home equity options.

Amortization – Spreading out payments (such as for a mortgage) over time based off of a specific maturity date.

Appraisal – An analysis performed by a qualified individual to determine the estimated value of a home.

Closing Costs – Costs/fees above the property's price that are associated with the transfer or renewal of the ownership of real property.

Commitment Letter – A formal offer by a lender detailing the terms of which you're approved for a loan.

Deed – The written document that conveys a property from the seller to the buyer. It's recorded at the local courthouse so that the transfer of ownership is part of the public record.

Escrow Account – A type of savings account set up by the lender for the payment of real estate taxes, homeowner's insurance, and other expenses related to the mortgage.

Lien – A legal claim against property used to secure a debt owed by the property owner until it's paid off.

Loan to Value Ratio (LTV) – The amount of money borrowed as a percentage of the home's value.

$$LTV\% = (\text{Current Mortgage Amount} / \text{Appraised Home Value}) \times 100$$

PITI (Principal, Interest, Taxes, and Insurance) – References the total monthly payment required to repay a mortgage in accordance with its term as well as monthly escrow payments for taxes and insurance.



Types of Home Equities

At HVCU, we offer three home equity options that allow you to borrow up to 100% of your home’s value⁶ without closing costs². Plus, they’re conveniently available on properties in New York and Connecticut. Eligibility and total amount financed for home equity products are based on a credit evaluation, appraised value of the home, and any existing liens against the property.

Home Equity Loan – Ideal if you have a specific project in mind or need to borrow the money all at once. A home equity loan works similarly to a personal loan, with a fixed rate and fixed monthly payment.

Home Equity Line of Credit (HELOC) – Perfect when you want to borrow a little money here and there, and pay it back as you use it. A HELOC works similarly to a credit card or personal line of credit, as the rate and monthly payment may vary.

Flex Lock HELOC – The best of both worlds and our most flexible option. It’s a line of credit and fixed rate loan all in one – withdraw funds as you need them and lock your rate up to three times.

Watch our video to learn more about our Flex Lock HELOC!



Feature	Home Equity Loan	Home Equity Line of Credit	Flex Lock HELOC
Interest Rate	Fixed	Variable during draw period and repayment ⁴	Line and unlocked segments are variable during repayment ⁴ Locked segments are fixed
Term	Up to 20 years ⁵	5 year draw period; 15 year repayment	5 year draw period; 15 year repayment “Lock-ins” available for 1-15 year terms
Payment Type	Principal and interest amortized over the term of the loan	Interest only during 5-year draw period ⁴ Principal and interest over 15-year repayment period ⁴	Interest only on the unlocked portion of the line during 5-year draw period ⁴ Principal and interest over the 15-year repayment period ⁴
“Lock-ins” Available	N/A	N/A	Up to 3 times during the 5-year draw period \$35 fee per lock
Source of Overdraft Protection ⁷	N/A	Yes	Yes

To view complete chart and disclosures, go to hvcu.org.

Important Things to Consider

- ➡ When thinking about using your home's equity, keep in mind that some improvements or repairs can boost the value of your home more than others. For example, a kitchen remodel is likely to yield a greater return on your investment compared to installing a pool. Balance your ability to recoup a portion of the project's cost along with other factors including making your home more enjoyable, functional, or efficient.
- ➡ There may be tax advantages to getting a home equity because the interest may be tax deductible. Check with your tax advisor for eligibility.

- ➡ If you have high-rate loan and/or credit card balances, you're well aware of how much strain those interest rates can have on your finances. Fortunately, a home equity loan or line of credit can be a smart refinancing option. Since both options usually have lower interest rates than other outstanding debts, it makes sense to use your home's equity to consolidate them. With only one monthly payment, you'll free up some of the money you've been spending on multiple bills and could get out of debt faster.

Not sure which option is right for you?

Take our quiz to find out!



What to Expect When Applying

Your Credit Score

You credit score is calculated by your payment history, amount owed, length of history, new credit, and credit mix. Scores can range from 300 to 850. The higher the score, the better your rate, and generally, a score of 680 and above indicates a sound borrower.



Credit not up to par?

Check out this helpful article on improving your credit score and standing.

Insurance Review

Renovations and home improvements can increase the value of your home, but they can also be costly. If you're putting in the work to make your home more beautiful, functional, or efficient—don't forget to take a second look at your home insurance. Make sure you have the coverage you need to protect your investment. With exclusive member discounts and great rates through some of the nation's most reliable carriers, Hudson Valley Credit Union Insurance Services can save you money while ensuring you have the right coverage for your home. **Speak to a licensed agent and get started.**

Insurance Products are not NCUA/NCUSIF Insured |
Are not obligations of HVCU | Are not guaranteed by HVCU

The following information will help you complete your application:

- Housing expenses (mortgage, taxes, insurance)
- Gross income
- Driver's license
- Employment info
- Value of your home and current loans
- Property taxes
- Any debt you will be paying off with home equity funds



To apply, visit hvcu.org, call us at 845.463.3011, or visit your local branch.

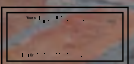
Visit our Home Finance Center for Current Rates.





HudsonValley[®]
CREDIT UNION

hvcu.org | 845.463.3011



Member Since 1994