

# FAQ:

## Home Equity Line of Credit (HELOC)

With record low interest rates right now, there's been a lot of talk about the attractiveness of home equity lines of credit (HELOCs), loans that allow you to borrow money using your home's equity as collateral. Because a HELOC is a line of credit, similar to a credit card, you make payments only on the amount you actually use. We break down some questions and clarifications about HELOCs for you here:

### What is a HELOC?

A Home Equity Line of Credit (HELOC) is a loan which allows you to borrow a set sum of money using your home equity as collateral. Because a HELOC is a line of credit, similar to a credit card, you make payments only on the amount you actually use. There is a set period in which you can "draw" money off the HELOC.

Once the draw period is over, the line is closed and a re-payment period begins based on the outstanding balance you have, if any.

### What is the difference between a HELOC and a Home Equity Loan?

A HELOC allows you to borrow money as you need, and your payments are based on the outstanding amount. A home equity loan is a loan for a fixed amount in which you make payments on the entire balance for a fixed period of time.

### How does a HELOC work?

A home equity line of credit gives you a 10-year period that allows you to borrow as much as you need, up to your approved credit limit. As you repay the balance, your available credit is replenished and you can borrow against it again, as needed.

After the 10-year draw period, a 15-year repayment period begins and you continue to make monthly principal and interest payments so you'll pay off the balance in full by the end of the repayment period. We have no prepayment penalties, so you can pay off your line in full at any time.

### What kind of properties qualify for HELOCs?

In order to qualify for a HELOC, the home must be an owner-occupied, homesteaded home or condominium located in Achieva's area of membership.

### How do I know if I can get a HELOC?

- ✓ **You need to have available equity in your home.**  
"Equity" is the difference between what you currently owe on your home and the current value of your home as determined by an appraisal.
- ✓ **You have a quality history of paying bills on time.**
- ✓ **You are able to provide proof of income to support what is stated on your application.**

Ratios such as debt-to-income (the percentage of your income that goes to pay outstanding debt) and net disposable income are considered to ensure that you have the ability to repay.

### How can I figure out how much equity I have in my home?

The "equity" in your home is the difference between what your home is worth and what you owe on it. For example, if your home is worth \$200,000 and you owe \$100,000, the available equity would be \$100,000. Depending on your credit history, a portion of that equity may be available to for you to borrow against.

### How much equity can I take out?

Depending on your credit score, Achieva will lend up to 80% of the determined value of your home (less what you owe on your existing mortgage).



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## Is the HELOC interest tax deductible?

Not all home equity loan interest is deductible. You will need to consult a tax advisor or financial counselor to determine the tax implications for getting a HELOC.

## Are there closing costs?

Standard closing costs apply. Achieva offers specials and promotions to reduce most of these costs (in some cases all of the closing costs). Please contact us for specific details.

## How quickly can I close?

Closing times can range from 7 to 30 business days, depending on the conditions that need to be met.

## Are there monthly fees?

There are no monthly, annual or transaction fees.

## How are payments calculated?

Your required monthly payment will be calculated on the outstanding balance at the time of your due date. Your payment will include both principal and interest so you begin repayment of the principal immediately. Drawing additional funds or a change in the prime interest rate will affect future payments. Our minimum payment amount is \$100.

## Do I need to maintain a minimum balance?

With a HELOC loan from Achieva a minimum balance is not required. However, an initial advance may be required when first opening a HELOC.

## Are there rules on how I can spend the money?

HELOCs can be used in a wide range of ways. The most common use is for home improvement, but the money can also be used to pay for education, bill consolidation, weddings, medical expenses, or even that dream vacation!

## Do I need to be a member?

You do not need to be a member to apply and be approved for a HELOC. Your membership can be established at the time of closing.

## Is there a downside to doing this?

The collateral used for a HELOC is your home, so changes in the market can impact the value of your home. Therefore if values drop, you could be left with less equity when you go to sell.

Most HELOCs are done at a variable interest rate, meaning your rate can go up or down depending on the broader financial market. Achieva's HELOC loan has "caps" in place to provide you peace of mind knowing when and how changes can happen.

## If I have an existing line of credit, should I consider refinancing it?

If you have some additional projects to complete and are nearing the end of a draw period on your existing line of credit, you may want to refinance.

If you have an interest-only HELOC, you may want to refinance to avoid higher payments and interest rates.

If you know you'll have expenses in the near future (such as college or medical costs), refinancing could make sense.

## How do I access my HELOC?

You can transfer funds through Online Banking, visiting a local branch for cash withdrawals or using the HELOC debit card provided at the time of funding.

## Can I make additional payments?

You can make additional principal payments at any time. Keep in mind that this does not advance your due date.

## Where can I go for more information?

You can go to [achievacu.com](https://achievacu.com), visit your local branch or call one of our HELOC specialists at **727.431.7690**.



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