



HARVARD UNIVERSITY EMPLOYEES CREDIT UNION

Home Refinance and HELOC



Today's Webinar

Reducing Background Noise

We've muted all attendees to help with audio quality.

Using the "Chat" Feature

Submit questions at any point. Let's test it!

Handouts & Presentation Recording

This presentation is being recorded and will be posted on our YouTube channel to re-watch.

Post-Workshop Survey

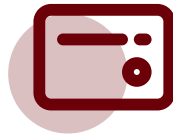
Take our post-workshop survey and let us know how we did.

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*DONATIONS WILL BE MATCHED UP TO \$2,500

Today's Presenter

HELEN LASKARIS

Serving the Mass. General Brigham, Assembly
Row & The Navy Yard Communities.

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Today's Agenda

1

Options

Options once you own your home.

2

Refinancing

Refinancing your home loan for a better rate.

3

Home Equity Line of Credit (HELOC)

How to use the equity you already have.

4

Next Steps

Taking the next steps in saving money.





Own Your Home, Now **What?**



Take No Action



Accelerate Payment



Borrow Against Equity (HELOC)



Change Terms of Loan (Refinance)



Reverse Mortgage

REFINANCING

What is Refinancing?

COMMON REASONS TO REFINANCE A HOME MORTGAGE

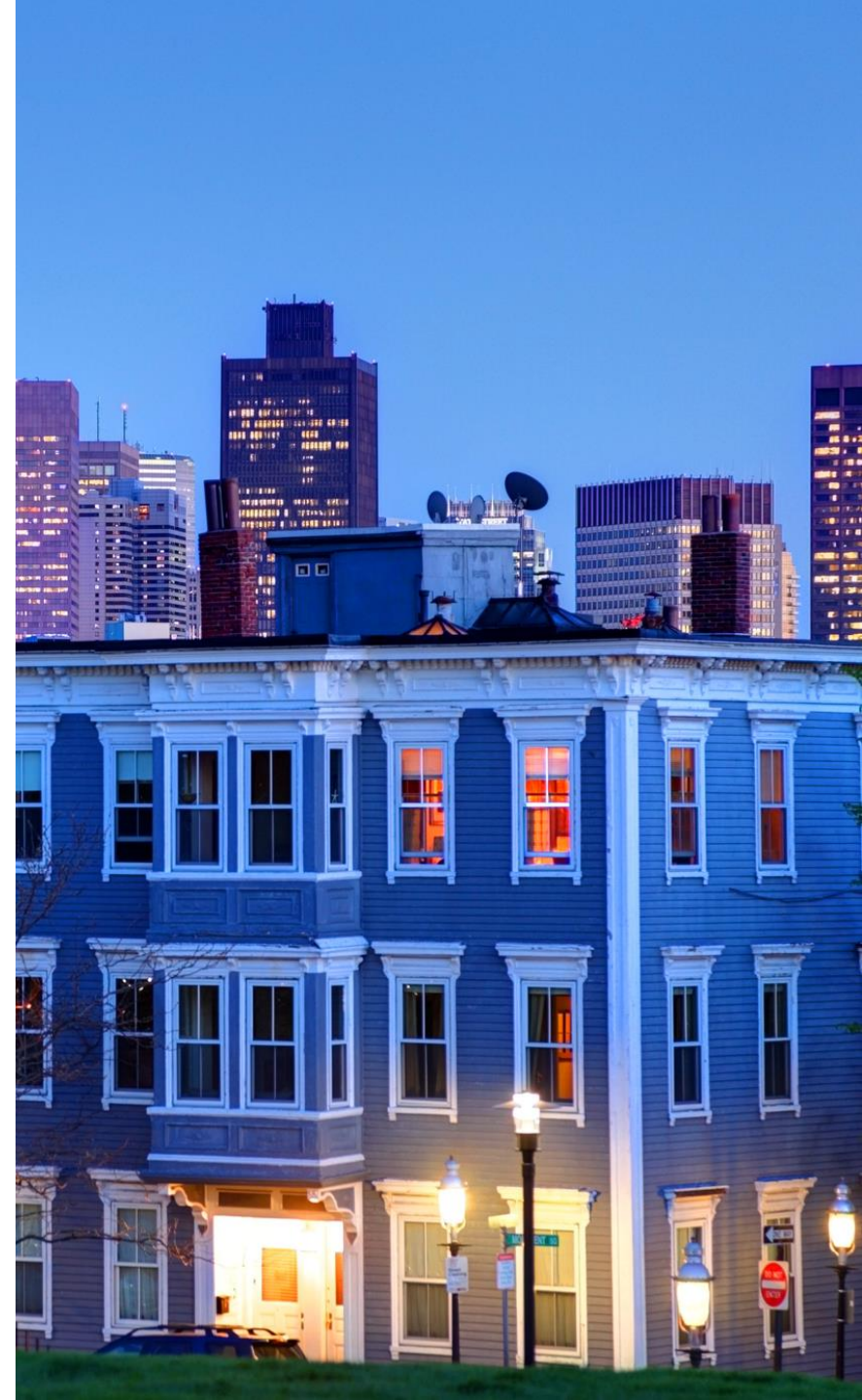
To reduce monthly payment

To reduce and/or extend the term on the loan

To reduce both the term and payment

To borrow additional funds to pay for major expenses

To remove private mortgage insurance



HUECU's Refinancing Options



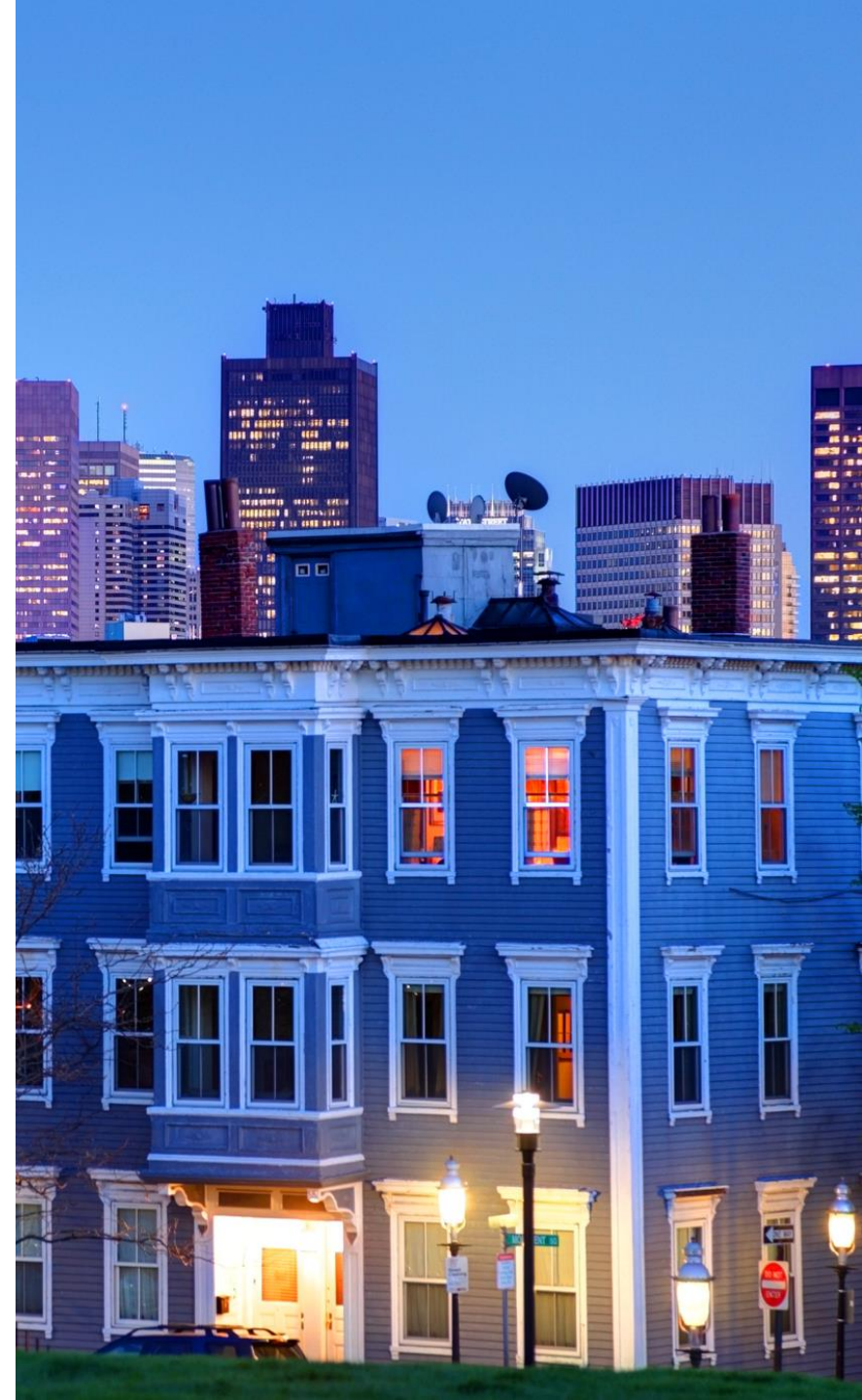
Cash out refinance



Rate and term refinance



Both cash out and rate and term refinance



CASH OUT REFINANCE

Cash Out Refinance

COMMON REASONS HOME OWNERS BORROW AGAINST HOME EQUITY

Home improvements

Life events such as a wedding, college tuition

Medical expenses

Rainy day fund

Tax considerations

Purchase a second home



Determining Home Equity Available To Borrow

Lender will require appraisal

A percentage (typically 80%) of appraised value is used

Current mortgage balance is deducted from adjusted appraised value

Example for a home with \$650,000 Appraised Value

ADJUSTED APPRAISED VALUE	LESS CURRENT MORTGAGE	AVAILABLE EQUITY
\$520,000*	-\$275,000	\$245,000

* HUECU uses 80% of the appraised property value (i.e, $\$650,000 \times 80\% = \$520,000$)

RATE AND TERM REFINANCE

Potential **Interest** Savings

Reducing your monthly payment and keeping the same remaining term may save a significant amount of interest over the term.



Should You Refinance?



Compare the new payment vs. your existing payment



Factor lender closing costs



Consider the terms

EXAMPLE		
UPFRONT LENDER FEE	ANNUAL SAVINGS	TERMS
\$2,500	\$960	2.6 YEARS

True monthly savings will be after 2.6 years, or after the 31st month.

Decreased Payment

.625% rate reduction and shortened terms

	CURRENT MORTGAGE	REFINANCE MORTGAGE
BALANCE	\$355,000	
REMAINING TERM	27	
RATE	4.25%	3.25% (APR 3.34%)
PAYMENT	\$1,750.32	\$1,650.93

\$3,200 Closing Costs

\$1,193 Annual Savings

= 2.7 YEARS

True monthly savings will be after 2.7 years, or after the 31st month.

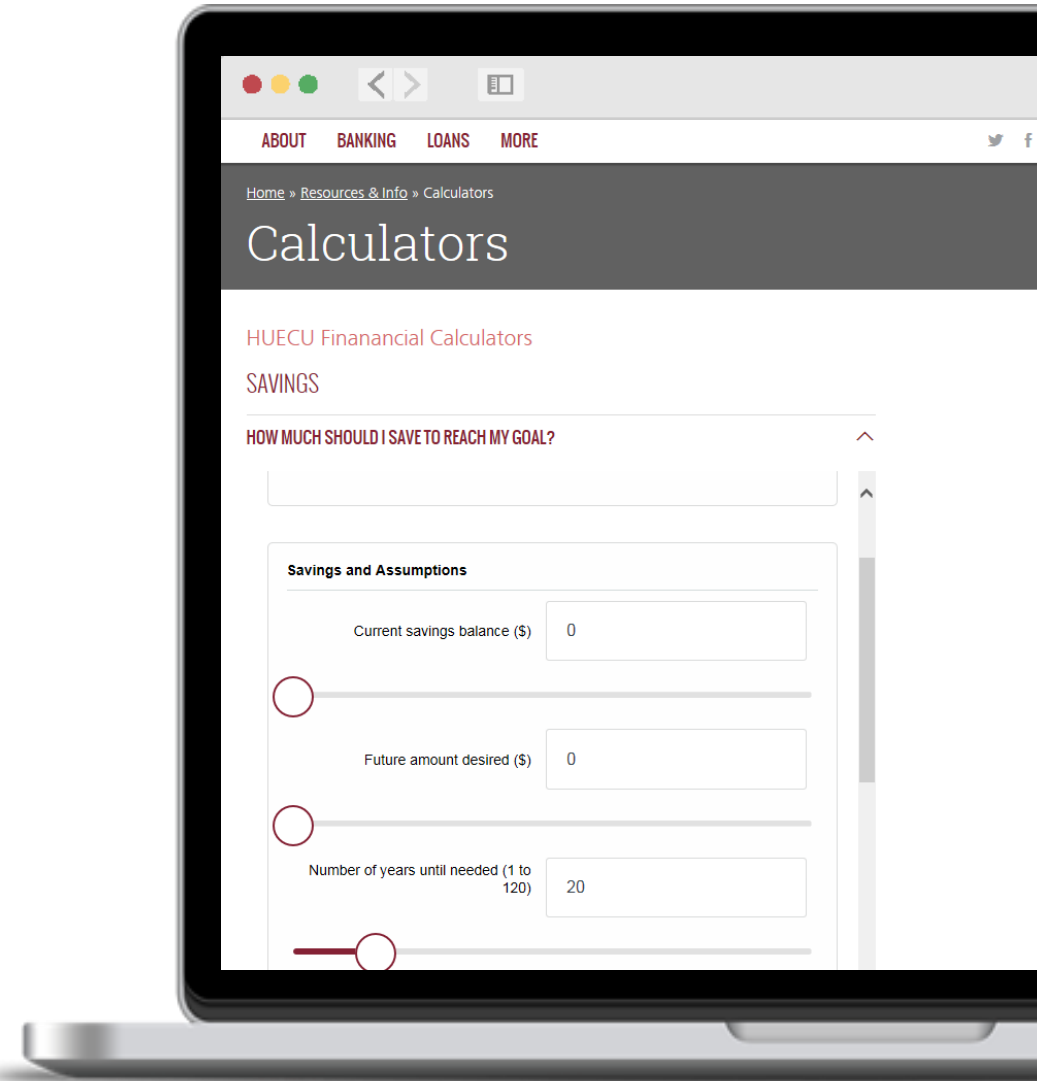
Increased Payment

.625% Rate Reduction and Shortened Terms

	CURRENT	REFINANCE MORTGAGE
BALANCE	\$600,000	
REMAINING TERM	25	15
RATE	3.875%	3.25% (APR 3.34%)
PAYMENT	\$3,125.76	\$4,216.01
TOTAL PAYMENTS OVER LIFE OF LOAN	\$937,728	\$758,882
TOTAL SAVINGS	\$178,846	

HUECU Calculators

[HUECU.ORG/CALCULATORS](https://huecu.org/calculators)



Should You Reduce or Increase the **Term**?

REDUCE TERMS	INCREASE TERM
May greatly reduce total interest paid over term of loan	May increase your monthly cash flow due to lower monthly payment.
Builds equity more rapidly	
Typically, can obtain a lower rate for shorter term	
Could align better with financial goals	

HELOCS AND FIXED RATE SECOND MORTGAGES

HELOCs and Fixed Rate Second Mortgages



Refinance of first mortgage isn't required.



No upfront fees for HUECU borrowers.



What is a HELOC?

HELOC: HOME EQUITY LINE OF CREDIT

Line of revolving credit secured by your home

Typically variable rates, that are subject to change

Can be used to pay for large or small expenses

Similar to a credit card

Advantage

HELOC is a lower rate than other common loans and interest may be tax deductible.

Disadvantage

Payment amount may increase if interest rates increase

How does a **HELOC** work?

Borrow Period known as Draw Period (normally 10 years)

Can borrow up to maximum limit established at closing

As you repay, the available credit limit is replenished

Repayment Period:

Typically 10 – 15 years, begins after draw period ends



Fixed Rate Second Mortgage

Allows you to borrow the full amount at closing at a fixed rate and term.

Typically the shorter the term on a fixed rate, the lower the rate.



Advantage

Peace of mind in knowing that your payment would not increase.



Disadvantage

No flexibility to repeatedly borrow against the credit line.

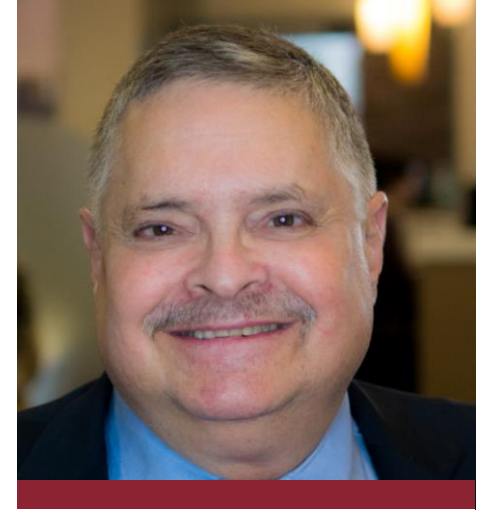
MLOs are Here To Help

Contact an MLO Today!



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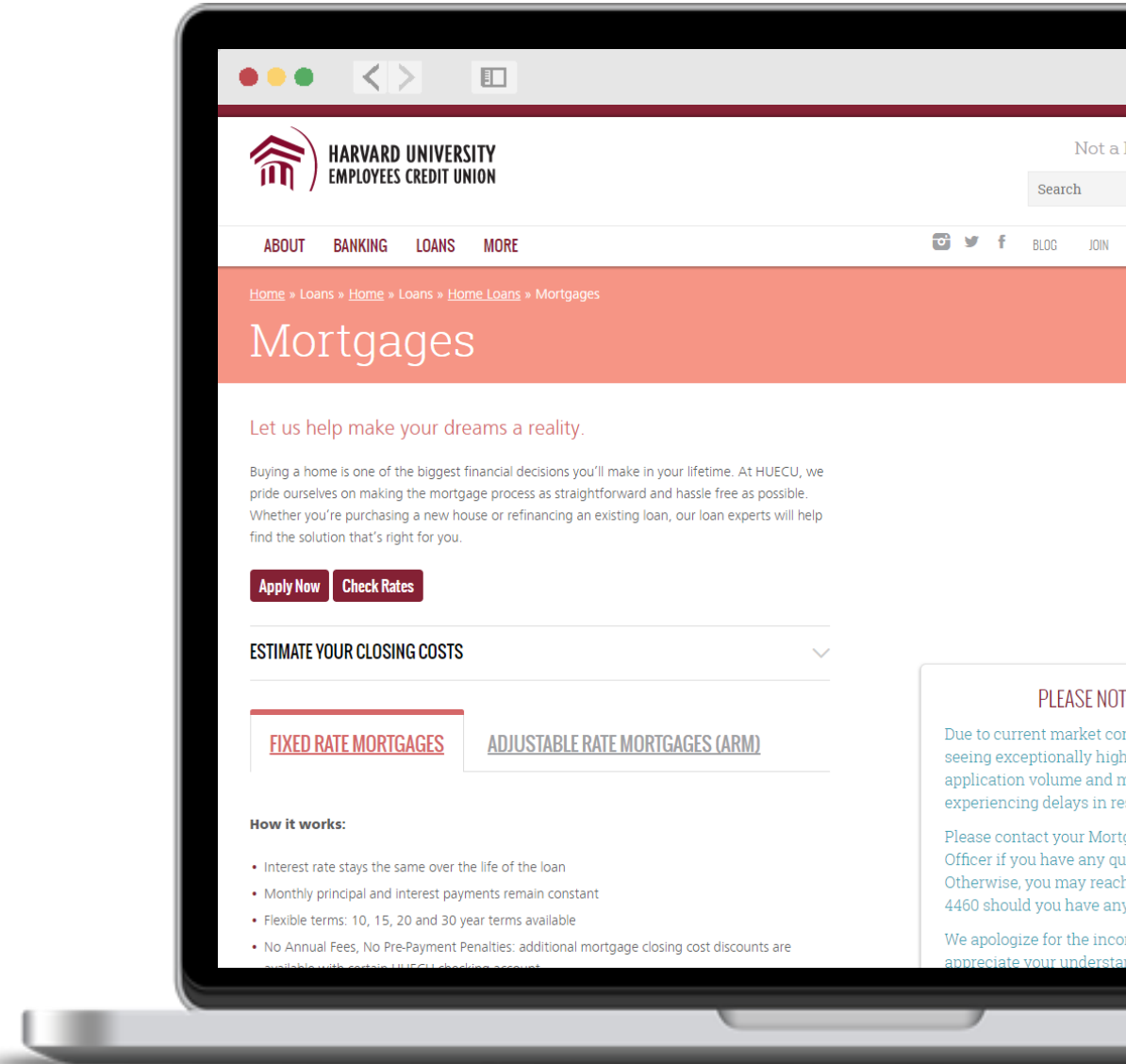
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HUECU Services and Products

HUECU offers an array of mortgage
products and services for all.

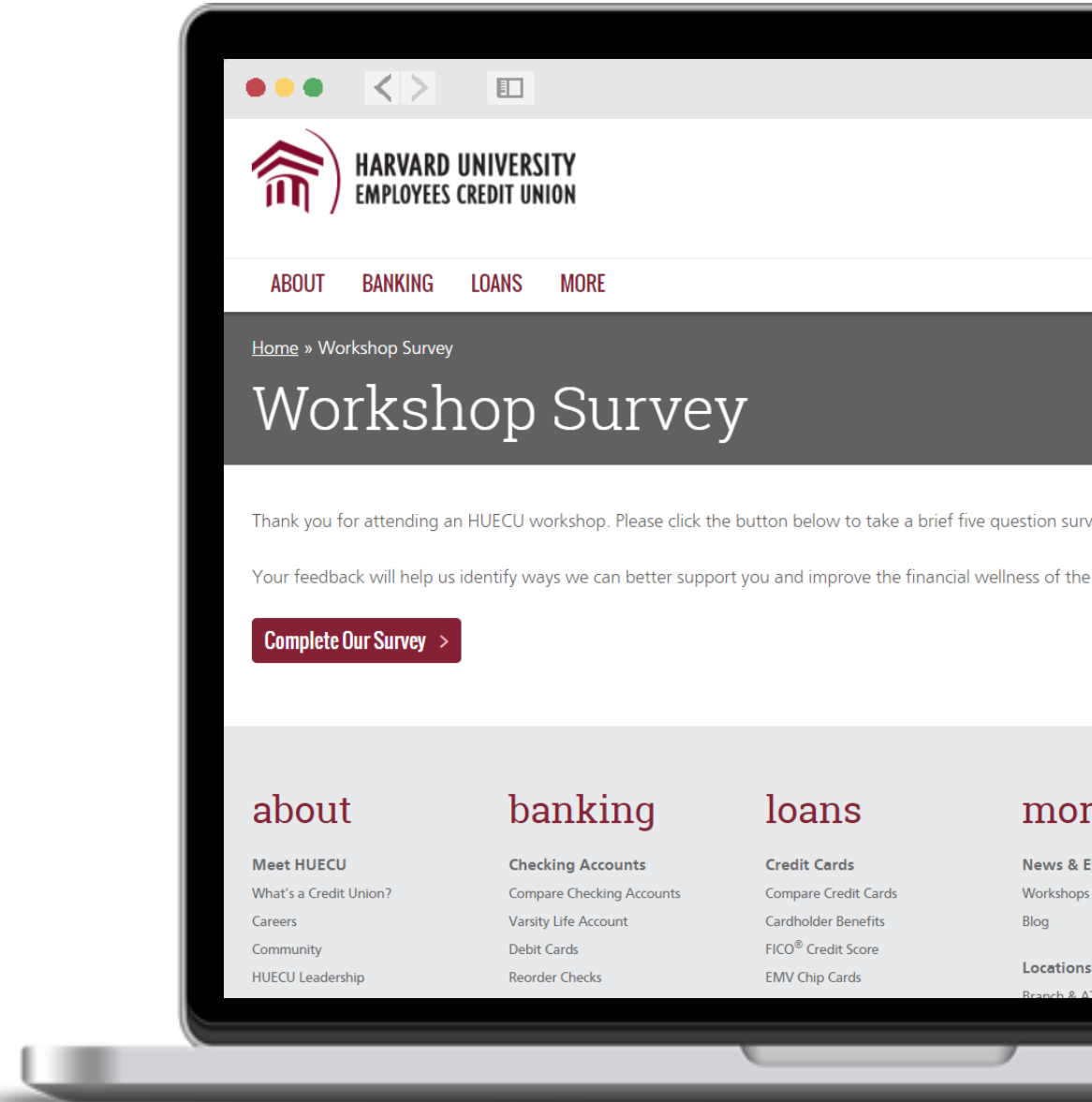
HUECU.ORG/HOME-LOANS



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