

## HOME EQUITY INSTALLMENT LOAN FAQs

### **What are the differences between a Home Equity installment loan and a Home Equity Line of Credit?**

A Home Equity installment loan will have a fixed rate of interest for a specific term, giving predictable payments over the life of the loan. You receive the money you are borrowing in one lump sum and then pay it back over a fixed term with fixed payments.

A Home Equity Line of Credit has a variable rate of interest, generally based upon an index that may change periodically with no set loan term. You may make draws on the available funds anytime they are needed.

### **What is the difference between a fixed rate and a variable rate?**

A fixed rate means that the interest rate is set at application and will not change over the term of the loan.

With a variable rate, the interest rate will fluctuate based upon changes in the rate index. These rate changes will affect your monthly payments due.

### **What documents are needed when applying for a Home Equity Line Term loan?**

Please refer to our document checklist.

### **How long does the process take?**

The entire process, from application to closing, should take approximately 1 month.

### **How do I apply for a Home Equity loan?**

You can apply online or at any Washington Financial Bank branch office.

### **How do I know how much equity I have?**

Determining equity is simple. Take your home's value (use your best guess or a home value estimator like Zillow) and subtract all amounts you owe on the home. The difference is your equity.

### **How much can I borrow?**

Washington Financial Bank will lend up to a maximum of 89.99% of the value of your home, minus any existing loans secured with your home. For example, if your home is worth \$150,000 and the total amount you owe is \$50,000.00, the maximum amount you can borrow is \$84,985.00.

### **What other costs are associated with a Home Equity Term loan?**

You will pay a \$100.00 origination fee to obtain a home equity term loan. No other fees will apply unless the amount you borrow is greater than \$250,000.00.

### **Will I need to get a new appraisal?**

Once we receive your application we will determine if a new appraisal is required to process your loan request.

**Will the interest I pay on the loan be tax deductible?**

Interest you pay on a loan that is secured with your primary residence may be tax deductible. Consult with your tax advisor to determine the deductibility of interest.

**Can you explain Debt to Income and Loan to Value ratios?**

Your debt to income ratio DTI, is all of your monthly debt payments divided by your gross monthly income. Debt payments would include mortgage payments, car payments, student loan payments, credit card payments, etc, Your gross monthly income is the amount of money you earn before any taxes or deductions are taken out. For example, if your total monthly debt payments are \$1,000.00 and your gross monthly income is \$5,000.00, your DTI would be 20%.  $\$1,000.00/\$5,000.00 = 20\%$ . The Loan to Value ratio (LTV) is the amount you on a home loan divided into the homes worth. For example, if you owe \$75,000.00 on your mortgage and your home is valued at \$150,000.00 the LTV would be 50%.  $\$75,000.00/\$150,000.00 = 50\%$