

July 2021 Issue

Community News

What is a Home Equity Loan?

If you need to borrow money and have enough equity in your home, taking out a home equity loan can be a good idea.

A home equity loan lets you borrow against the equity in your home, usually at a lower interest rate than other types of loans. Before you decide to use this loan option, make sure you fully understand what a home equity loan is, how it works, and the risks.

What is a home equity loan?

A home equity loan is a fixed-rate, lump-sum loan that's secured by the equity in your home. Because the loan is secured by your home, lenders typically charge lower interest rates than they do for personal loans or credit cards.

How does a home equity loan work?

When you take out a home equity loan, a lender approves you for a loan amount based on the percentage of equity you have in your home. Then you have to repay the loan in fixed monthly installments that include the principal and interest. Although terms vary, home equity loans can be as long as 30 years.

Since the loan is secured by your home, this puts your home at risk if you can't pay it back. If you default on the loan, the lender can foreclose on your home which will cause serious damage to your credit score.

One advantage is the interest you pay may be tax deductible if you use it to make home improvements. According to the IRS, you can deduct interest on a home equity loan that is used to "buy, build or substantially improve" the home.

How to calculate the equity in your home

Your home equity represents the portion of your home you actually own; it is your home's current value minus your outstanding mortgage balance. To calculate the percentage of equity you have in your home, you have to divide your outstanding mortgage balance by the estimated value of your home.

For example, if your outstanding mortgage balance is \$100,000 and your home's estimated value is \$250,000, then you have 40 percent equity in your home.

Home equity loan requirements

Although lenders have different requirements for home equity loans, you typically need a credit score at least in the mid-600s, at least 15 percent to 20 percent equity in your home, solid income and a debt-to-income ratio (DTI) that's lower than 43 percent.

Lenders also usually have a maximum combined loan-to-value ratio of up to 80 percent. This means you can only borrow 80 percent of your home's value, minus your outstanding mortgage balance. For example, if your home is worth \$250,000 and you owe \$100,000, 80 percent of your home's value is \$200,000. If you subtract your balance from that amount, you get \$100,000 - this is the maximum amount your home equity loan could be.

Differences between a home equity loan and a home equity line of credit (HELOC)

Another option for borrowing against the equity in your home is a home equity line of credit (HELOC).

A HELOC is also secured by the equity in your home and has similar borrowing requirements but it operates differently than a home equity loan. With a HELOC, you can borrow money on an as-needed basis up to a set limit. Unlike home equity loans, HELOCs usually have variable interest rates. Though average HELOC rates tend to be lower than home equity loan rates, your monthly payments could increase if interest rates increase.

WCCU's Flex Equity Line of Credit features the best of both loan options. Easily access your funds and have the flexibility of locking in two fixed-rate advances anytime. To learn more, visit westerlyccu.com/equity.

Dream. Plan. Do
with our Flex Equity Line of Credit

12-Month Intro. Rate As Low As Fixed Rate Advances As Low As

1.99%
APR*

2.99%
APR*

Visit westerlyccu.com/equity to apply!



*Rates and offer as of 7/1/2021 are subject to change. After 12 month introductory rate period, the Annual Percentage Rate (APR) is variable based on the Prime Rate as published in the Wall Street Journal on the last day of each billing cycle and tiered as follows: \$10,000-\$99,999.99 is Prime-0.25%, \$100,000 and over is Prime-0.50%. APR will never be more than 18% or less than 3.25% after the initial fixed period. 1-4 family owner occupied properties only. 80% maximum combined loan to value. Minimum loan \$10,000 (line of Credit), \$5,000 (fixed Rate portion). Maximum loan is \$350,000. The plan allows two fixed rate advances from your line at any given time during the 10 year draw period (repayment terms up to 15 years for each draw). Fixed rate advance rates will be those in effect at time of draw. Flood insurance may be required. Property insurance is required. Consult a tax advisor about the deductibility of interest. Other restrictions may apply. A cancellation fee will apply for loans terminated with 2 years of origination date. Other rates and terms available. Available for new lines only. \$50 annual fee will be waived for 1st year. Offer subject to change at any time. WCCU NMLS ID #518892. Article adapted from 'What is a home equity loan and how does it work?' 6.24.2021 Jerry Brown, msn.com.

What's New at WCCU!

WCCU Awards \$4,000 in Scholarships

WCCU Cares: Congratulations to the follow recipients of the Annual WCCU Scholarship Program:



Andrew Poirier of Ashaway received a \$1,000 WCCU Joseph N. Cugini Scholarship. Andrew will be attending the Kent State University to pursue a degree in Aeronautics.



Libby Braun of Richmond received a \$1,000 WCCU Robert M. Bewlay Memorial Scholarship. Libby will be attending Suffolk University to study Computer Science.



Melanie Gomes of Westerly received a \$1,000 WCCU College Scholarship. Melanie will be attending Stony Brook University to study Biology.



Taylor Hurrell of Wakefield received a \$1,000 WCCU College Scholarship. Taylor will be attending the University of St. Joseph as a Physician Assistant major.

Visit westerlyccu.com/news to learn more!

Loans to suit your style, rates to fit your budget.



Combine your debt into one easy monthly payment, slim down your interest rate and save money!

WCCU Personal Loans Offer:

- Financing up to \$50,000.
- Terms up to 60 months.
- Fixed monthly payments.
- Great low rate. → → →

5.99% APR*

**Visit westerlyccu.com/loans to apply!*

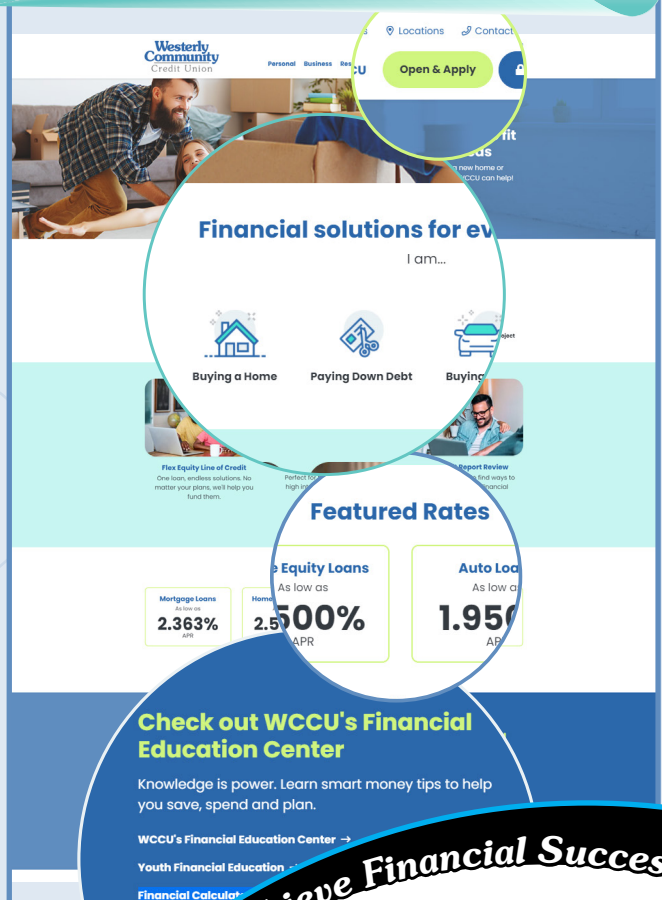
*Annual Percentage Rate (APR) as of 7/1/2021. Monthly payments per \$1000 borrowed would be 60 months at \$19.33. Use our loan calculators on our website to calculate yours. Rate shown is for terms up to 60 months, and is for members with an "A" credit score of 680 or above. Rate also reflects a 0.75% point interest rate reduction for automatic loan payments deducted from an "active" WCCU checking account ("active" checking is 6 transactions or more per month and direct deposit) which must be scheduled at the time of loan closing. If the above requirements are not met, discount will not apply, and 0.75% will be added to the rate. Rates subject to change. Other rates and terms available.

WCCU Launches a New Website

We are excited to announce that our redesigned website is now live. Your destination for information, with a new bright, clean look!

You will be able to view *featured rates*, and have easy access to log in to *eBanking*, *apply for a loan*, and *open an account*. The site also offers a robust *Financial Education Center* for all ages and a new *Solutions Finder* geared to helping you find financial solutions for each stage of your life.

Visit westerlyccu.com to check it out. We hope you enjoy all of the new features!



Helping Our Members Achieve Financial Success!

Westerly Community Credit Union

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www.westerlyccu.com
401•596•7000

Insured by NCUA. WCCU NMLS ID#: 518892

EQUAL HOUSING OPPORTUNITY