

SAN MATEO CITY EMPLOYEES FEDERAL CREDIT UNION
330 West Twentieth Ave.
San Mateo, CA 94403

HOME EQUITY LOANS

QUESTIONS AND ANSWERS

What areas are eligible for Home Equity Loans?

Currently all properties owned by the member and locate within California are eligible.

What is the maximum loan amount?

The maximum loan amount is the lessor of \$150,000 or 70% of the appraisal value including any first mortgage plus other property liens.

What is the rate of interest?

The interest rate is variable and is determined by adding 2.25% to the 11th District Cost of Funds. The index is the most commonly used index for Adjustable Rate Mortgages (ARM). Rates are rounded to the nearest .25%.

How often and when will the interest rates be adjusted?

The new 11th District Cost of Funds index is set monthly. A new loan will use the current rate for that month, but once the loan is established the rate will only change twice a year. The dates of change are January 1st and July 1st. Depending upon the timing, the first rate change can occur anywhere from 30 days to six months after the loan is taken out.

What happens to the payments when the rate changes?

Typically two factors; 1) highest outstanding balance; and 2) the highest rate experienced determine the monthly payments for the loan. When the rate drops the payment will stay the same resulting in faster payoff of the balance. When it goes up the payment is adjusted accordingly. The member may ask that the payment be lowered if the interest rate drops.

What happens if I already have a Second Mortgage?

We must be listed second on your deed. If you already have a second it will be paid off during escrow with funds from your new home equity loan with us.

(over)

How much can the interest rate change in one year?

The maximum amount the rate can change in any 12-month period is 2%. The maximum rate, for the life of the loan, is 5% above the initial rate.

What are the fees that the Credit Union charges?

The Credit Union only charges \$500 towards the fees that it incurs in processing the loan.

Are there any application fees?

We do not charge any application fee.

How do I make a withdrawal from my home equity loan?

Once the loan is established you may withdraw up to the limit of your loan at any time. You simply call or stop by the Credit Union office and ask for an advance. The initial amount should be at least \$10,000 and any subsequent amount must be at least \$1,000. As you pay down the balance that amount, up to your limit, again becomes available to you.

How is the loan secured?

The loan is secured against your home. This is **important** to understand since any delinquency on this loan can result in foreclosure and possible loss of your home.

How long is the loan good for?

The loan is good for 15 years. Advances will be allowed up to the 13th year of the loan. In the 15th year the loan becomes due and payable and could result in a large **balloon** payment. This loan is also due and payable in the event the house is sold.

If I refinance my house do I have to pay off my home equity loan?

No, the only requirement we have is that the new loan-to-value is 70% or less. Have your new Title or Loan Company contact us and we will sign a 'Subordination Agreement' placing our loan as a second in line to the new first mortgage.