THRIVE
Financial Wellness

Free Financial Counseling, Blogs, Workshops, Worksheets, Short Videos, Calculators and online education portal.

HUECU.ORG/THRIVE
Not-For-Profit Banking for the Harvard Community

Community Focused
HUECU exclusively serves the Harvard community and all Harvard affiliates. Once a member, always a member, even if you leave your job. When you join membership extends to all family members.

Products & Services
Free access to ATM* nationwide. Credit cards with cash back rewards. Home loans for purchases and refinancing, Student Loans and refinancing options, auto loans and more.

Access Anywhere
Own Your Home, Now What?

- Take No Action
- Accelerate Payment
- Borrow Against Equity (HELOC)
- Change Terms of Loan (Refinance)
- Reverse Mortgage
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

<table>
<thead>
<tr>
<th>ADJUSTED APPRAISED VALUE</th>
<th>LESS CURRENT MORTGAGE</th>
<th>AVAILABLE EQUITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>$520,000*</td>
<td>-$275,000</td>
<td>$245,000</td>
</tr>
</tbody>
</table>

* HUECU uses 80% of the appraised property value (i.e., $650,000 x 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**

<table>
<thead>
<tr>
<th>UPFRONT LENDER FEE</th>
<th>ANNUAL SAVINGS</th>
<th>TERMS</th>
</tr>
</thead>
<tbody>
<tr>
<td>$2,500</td>
<td>$960</td>
<td>2.6 YEARS</td>
</tr>
</tbody>
</table>

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

HUECU.ORG/CALCULATORS
## Should You Reduce or Increase the Term?

<table>
<thead>
<tr>
<th>REDUCE TERMS</th>
<th>INCREASE TERM</th>
</tr>
</thead>
<tbody>
<tr>
<td>May greatly reduce total interest paid over term of loan</td>
<td>May increase your monthly cash flow due to lower monthly payment.</td>
</tr>
<tr>
<td>Builds equity more rapidly</td>
<td></td>
</tr>
<tr>
<td>Typically, can obtain a lower rate for shorter term</td>
<td></td>
</tr>
<tr>
<td>Could align better with financial goals</td>
<td></td>
</tr>
</tbody>
</table>
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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HUECU Services and Products

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

HUECU.ORG/HOME-LOANS
Survey Says

Be sure to let us know what you thought of this webinar in our online survey.

HUECU.ORG/SURVEY
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