

# LEGENDS BANK HOME EQUITY FAQS

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## GENERAL QUESTIONS

### WHAT IS A HOME EQUITY LINE OF CREDIT?

A home equity line of credit is a revolving line of credit secured by your home and is the most flexible type of home financing available. As payments during the draw period are applied to the outstanding principal balance on the credit line, your available credit increases.

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### HOW MUCH CAN I BORROW?

You can borrow as little as \$10,000 or up to 80% of the value of your home, depending on your credit history, available equity in the property and your current monthly debt.

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### WHAT MAKES A HOME EQUITY LINE OF CREDIT A GOOD FINANCING OPTION?

Interest rates for home equity lines of credit are typically lower than other forms of credit because your home is used as collateral. This means the risk to a bank is less than with an unsecured loan or credit card. A lower rate means a lower cost and the interest you pay may also be tax deductible<sup>1</sup>.

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### WHAT CAN I PAY FOR WITH A HOME EQUITY LINE OF CREDIT?

Because of the competitive interest rates and potential tax advantages of home equity lines of credit, they're convenient ways to finance almost anything, including home improvements/repairs, education, purchasing a vehicle, buying a second property or consolidating higher interest rate balances.

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<sup>1</sup> Legends Bank and its representatives do not provide tax or legal advice. Your tax and financial situation is unique. You should consult your tax and/or legal advisor for advice and information concerning your particular situation.

## **IS THE INTEREST TAX DEDUCTIBLE?**

Interest on home equity lines of credit may be tax deductible. Consult your tax advisor regarding tax deductibility.

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## **CASH OUT REFINANCE OR HOME EQUITY LINE OF CREDIT?**

Homeowners who are in need of cash have convenient loan options available through Legends Bank. Once you determine how much you need, a loan officer can help you compare which loan is right for you.

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## **WHAT ARE THE TERMS OF A HOME EQUITY LINE OF CREDIT?**

A home equity line of credit has 2 different periods; a draw period and a repayment period. The draw period is 10 years, where you have ongoing access to available funds and can use the funds how you'd like. During the draw period, your payment will be calculated as the greater of the following: (1) the amount of accrued finance charges on the last day of the billing cycle plus \$50.00 or (2) the amount of the accrued finance charges plus 0.560% of the principal balance outstanding on the last day of the billing cycle. Once the draw period ends, the account enters the repayment period.

The repayment period is 10 years. During the repayment period, you can no longer advance on the home equity line of credit, and must make greater principal and interest payments.<sup>2</sup> <sup>3</sup> The minimum payment will be calculated as follows: The greater of \$50.00 or the amount of accrued finance charges plus 1.00% of the principal balance outstanding on the last day of the billing cycle.

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<sup>2</sup> Billing statements are sent on the 1<sup>st</sup> of the month and all payments due on the 15<sup>th</sup> of the month.

<sup>3</sup> Late fees charged as allowed by statute. 5% of the late payment amount with minimum of \$15.00 and maximum of \$50.00

### **IS THE INTEREST RATE FIXED OR VARIABLE?**

Our home equity line of credit has a variable rate which changes when the prime rate changes (as published in the money rates section of the Wall Street Journal). In addition, the home equity lines of credit include the option to convert all or a portion of your balance to a fixed rate option.

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### **CAN I CHANGE THE INTEREST RATE ON MY HOME EQUITY LINE OF CREDIT FROM A VARIABLE RATE TO A FIXED RATE?**

Yes, during your draw period you can lock any or all of your outstanding balance into a fixed rate option on a line of credit. (For more on this, see “What is the Fixed Rate Option?”).

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### **WHAT IS THE FIXED RATE OPTION?**

With the fixed rate option, you can lock in a fixed rate on all or any portion of your variable balance at any time. Up to three active lock options are permitted. Rate term options for 12, 36, or 60 months. 12 month lock = then current rate, 36 month lock = then current rate plus 0.50%, 60 month lock = then current rate plus 1.00%. Payments on each lock would be fully amortized for the selected term and a fee would be applied per lock<sup>4</sup>.

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### **WHAT DETERMINES THE VARIABLE INTEREST RATE OF A HOME EQUITY LINE OF CREDIT?**

The variable interest rate is based on the Wall Street Journal Prime Rate as published in the Money Rates section. You can lock in all or any part of your outstanding balance into a fixed interest rate at any time with our fixed rate option.

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<sup>4</sup> Rates are subject to change. Fee of \$100 per lock.

### **ARE THERE CLOSING COSTS?**

Yes. The closing costs that our borrowers will pay include an origination fee, deed of trust filing fee, appraisal fee<sup>5</sup>, title work, and flood search.<sup>6</sup>

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### **CAN I TRANSFER BALANCES FROM OTHER ACCOUNTS TO MY HOME EQUITY LINE OF CREDIT?**

Yes. After opening a home equity line of credit, you can transfer any higher rate balances to your new line of credit. You can do so via convenience checks, Legends Bank Online and Mobile Banking, or at any branch.

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### **HOW LONG DOES IT TAKE TO GET A HOME EQUITY LINE OF CREDIT?**

The length of time to process the application varies depending on your situation. Once your loan officer has determined that your situation meets our underwriting guidelines<sup>7</sup>, and after all processing needs have been met, and closing docs have been signed, the funds will be available after a waiting period of three business days on accounts secured by a primary residence.

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<sup>5</sup> Appraisal Fee is only applicable if TAV (Tax Assessed Value) is not sufficient for LTV purposes.

<sup>6</sup> All fee amounts are subject to change. Title Fee waived if Legends Bank is in current 1<sup>st</sup> position; a title search will be acceptable in this case.

<sup>7</sup> Typical underwriting guidelines of 80% CLTV, credit score limits, and DTI not to exceed 36% using minimum payment calculation assuming fully advanced.