



# HARVARD UNIVERSITY EMPLOYEES CREDIT UNION

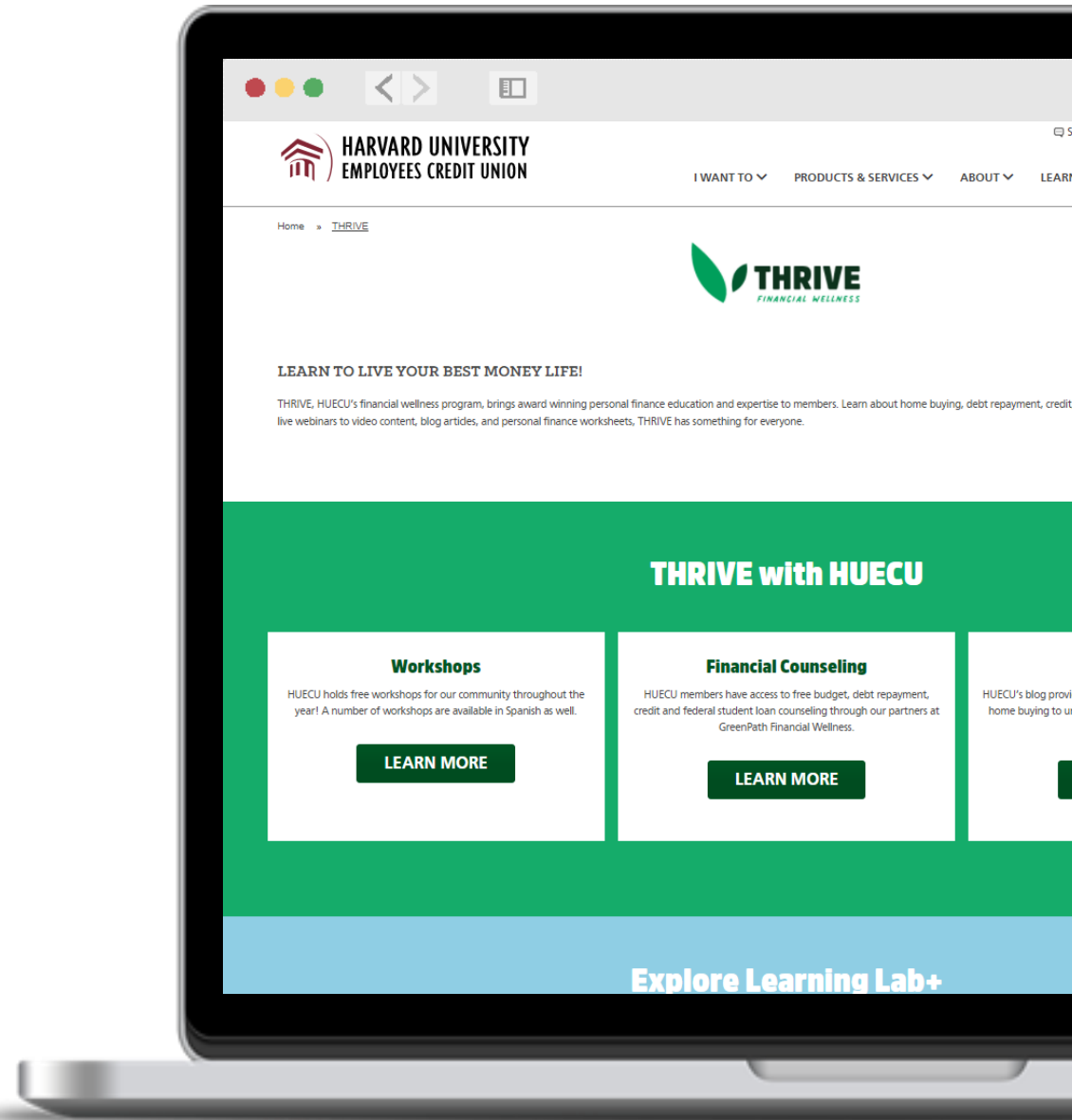
Home Refinance and HELOC

# THRIVE

## Financial Wellness

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

**HUECU.ORG/THRIVE**

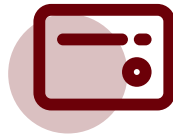


# Not-For-Profit Banking for the Harvard Community



## 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

Convenient locations and Online Banking. Mobile banking and Apple Pay ready. Access to the nationwide CO-OP Shared Branching Network.



# Own Your Home, Now **What?**



**Take No Action**



**Accelerate Payment**



**Borrow Against Equity (HELOC)**



**Change Terms of Loan (Refinance)**



**Reverse Mortgage**

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# REFINANCING

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# What is Refinancing?

## COMMON REASONS TO REFINANCE A HOME MORTGAGE

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To reduce monthly payment

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To reduce and/or extend the term on the loan

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To reduce both the term and payment

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To borrow additional funds to pay for major expenses

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To remove private mortgage insurance

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# HUECU's Refinancing Options



Cash out refinance



Rate and term refinance



Both cash out and rate and term refinance



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# CASH OUT REFINANCE

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# Cash Out Refinance

## COMMON REASONS HOME OWNERS BORROW AGAINST HOME EQUITY

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Home improvements

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Life events such as a wedding, college tuition

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Medical expenses

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Rainy day fund

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Tax considerations

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Purchase a second home

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# Determining Home Equity Available To Borrow

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Lender will require appraisal

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A percentage (typically 80%) of appraised value is used

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Current mortgage balance is deducted from adjusted appraised value

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## Example for a home with \$650,000 Appraised Value

ADJUSTED APPRAISED VALUE	LESS CURRENT MORTGAGE	AVAILABLE EQUITY
\$520,000*	-\$275,000	\$245,000

\* HUECU uses 80% of the appraised property value (i.e,  $\$650,000 \times 80\% = \$520,000$ )

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# **RATE AND TERM REFINANCE**

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# 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



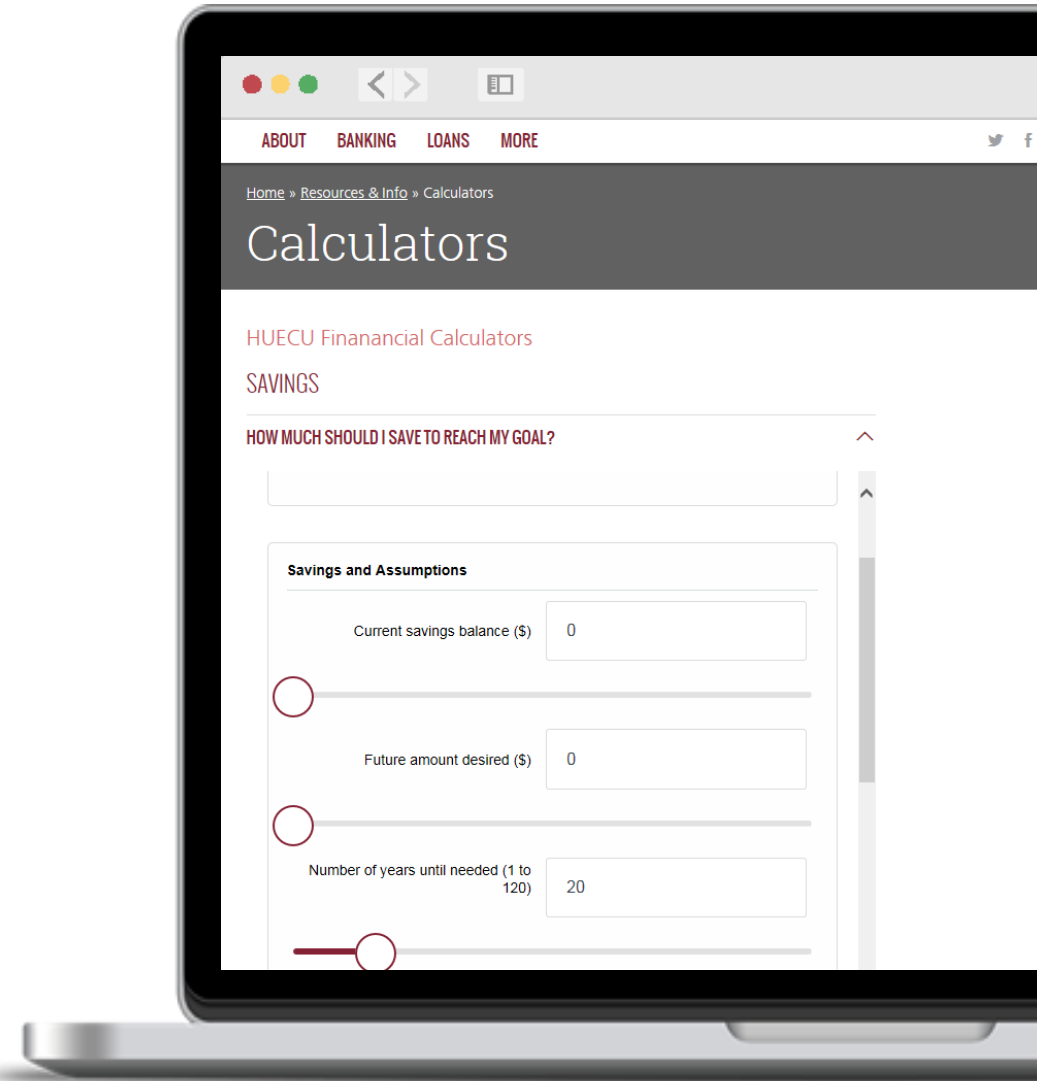
Consider the terms

EXAMPLE		
UPFRONT LENDER FEE	ANNUAL SAVINGS	TERMS
\$2,500	\$960	2.6 YEARS

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

# HUECU Calculators

[HUECU.ORG/CALCULATORS](https://huecu.org/calculators)



# Should You Reduce or Increase the **Term**?

REDUCE TERMS	INCREASE TERM
May greatly reduce total interest paid over term of loan	May increase your monthly cash flow due to lower monthly payment.
Builds equity more rapidly	
Typically, can obtain a lower rate for shorter term	
Could align better with financial goals	

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# HELOCS AND FIXED RATE SECOND MORTGAGES

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# 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

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Line of revolving credit secured by your home

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Typically variable rates, that are subject to change

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Can be used to pay for large or small expenses

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Similar to a credit card

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### **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?

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Borrow Period known as Draw Period (normally 10 years)

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Can borrow up to maximum limit established at closing

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As you repay, the available credit limit is replenished

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**Repayment Period:**

Typically 10 – 15 years, begins after draw period ends

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# Fixed Rate Second Mortgage

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Allows you to borrow the full amount at closing at a fixed rate and term.

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Typically the shorter the term on a fixed rate, the lower the rate.

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✓ **Advantage**

Peace of mind in knowing that your payment would not increase.

✗ **Disadvantage**

No flexibility to repeatedly borrow against the credit line.

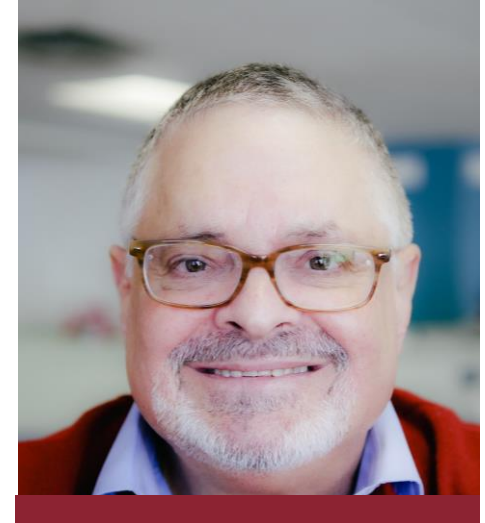
# MLOs are Here To Help

Contact an MLO Today!



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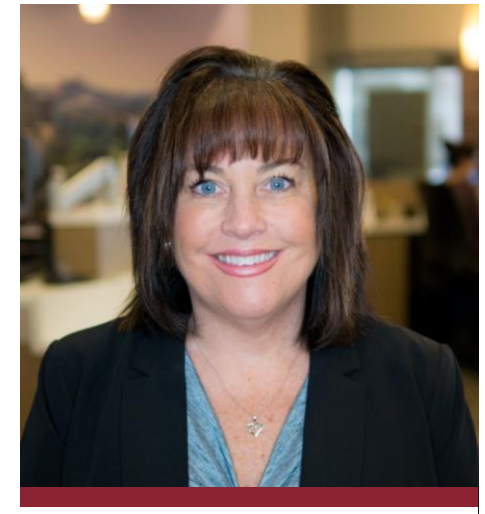
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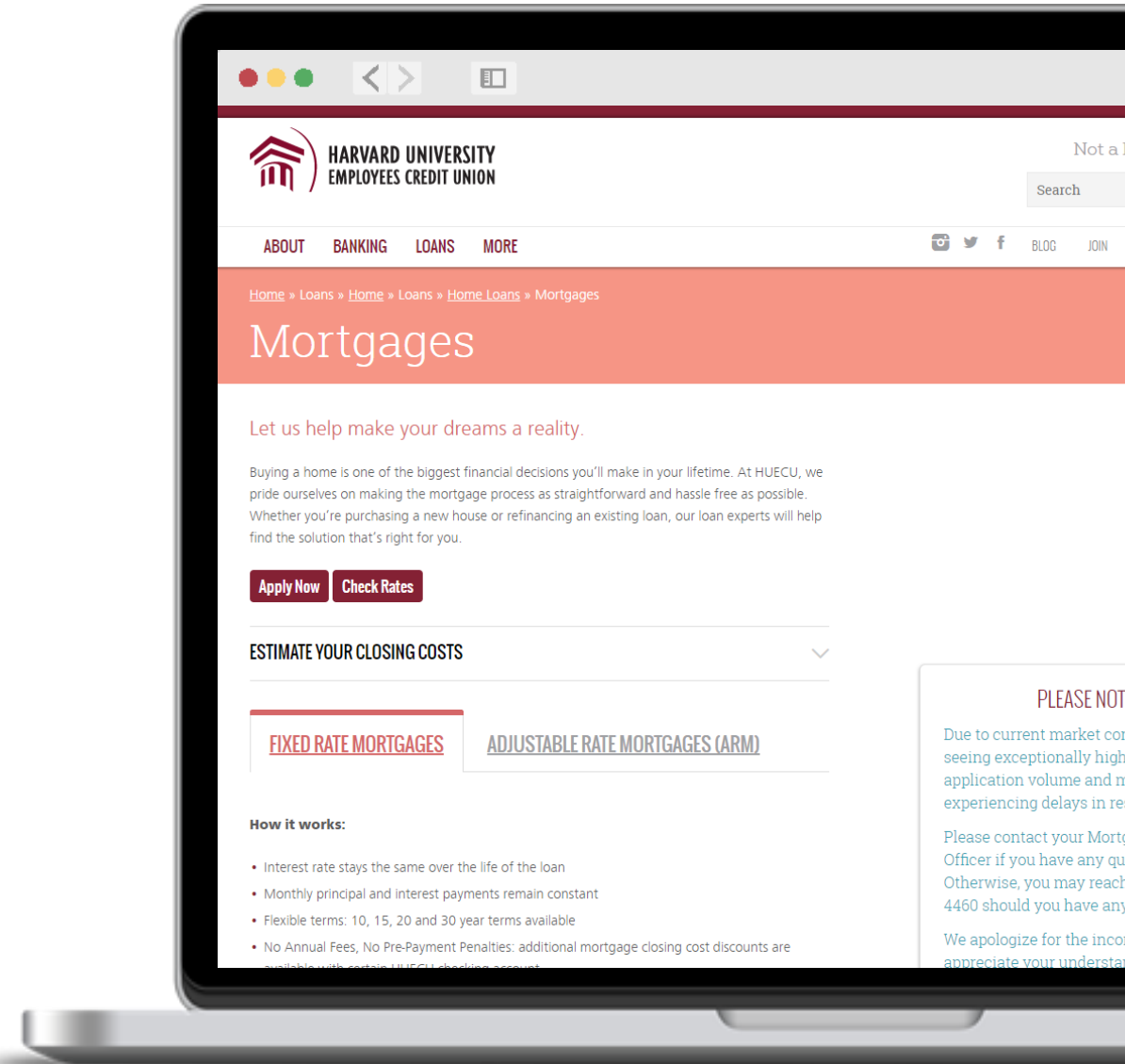
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# HUECU Services and Products

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

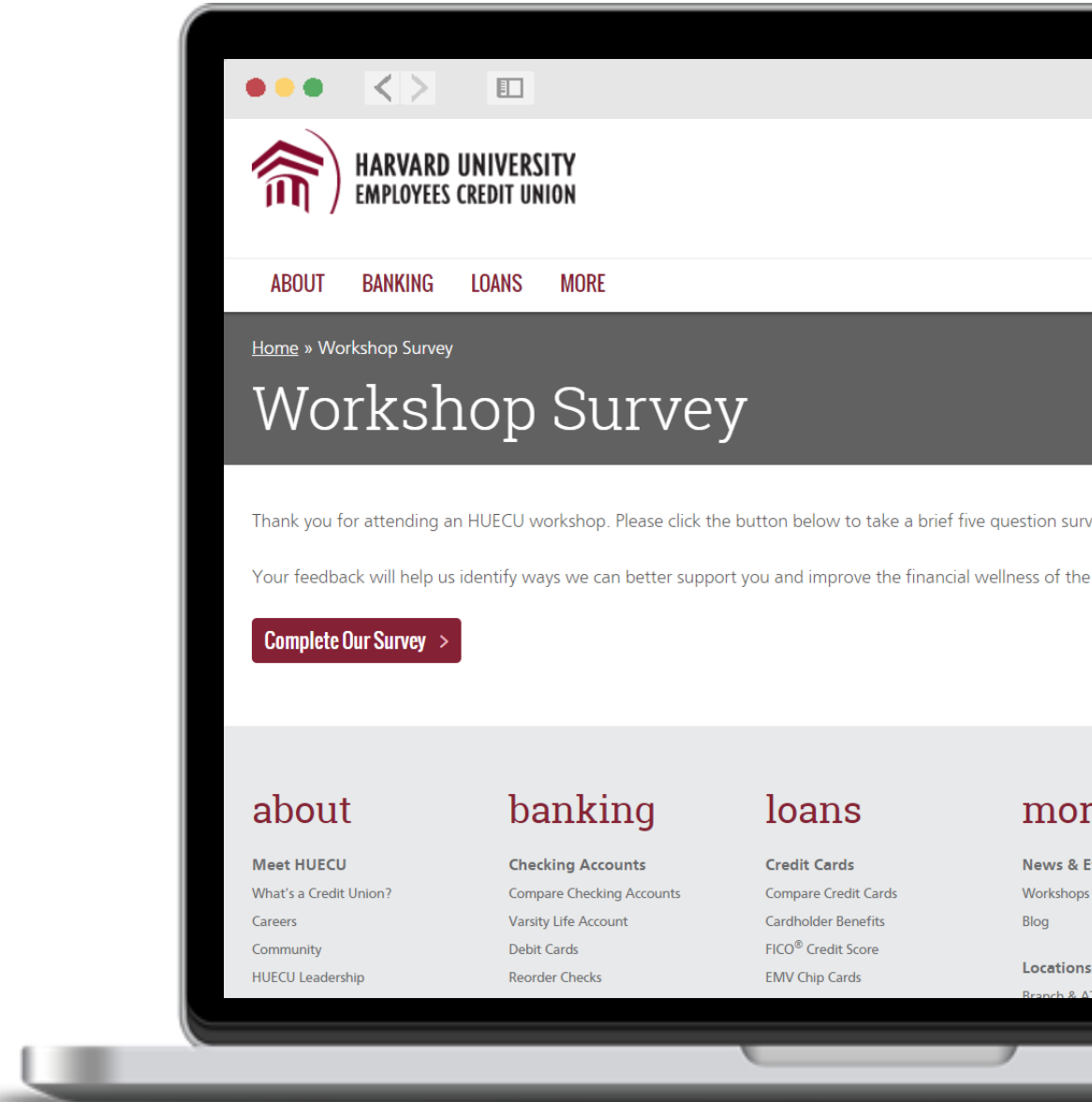
**HUECU.ORG/HOME-LOANS**



# Survey Says

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

**HUECU.ORG/SURVEY**



# Disclaimer

This presentation is a general overview of principles you may want to consider. Only you can decide what is best for you. This presentation is educational in nature and is not intended to be, and should not be construed as tax, legal or investment advice. You should always consult a certified advisor for advice on your specific situation. The examples used in this presentation are for illustrative purposes only.



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