

Home Smart Home



How to make your home's equity work for you.

As home prices in Hawaii continue to rise, tapping into the increased value of your home at today's low rates may be a smart way to refinance. It can help you remodel your home, consolidate your debt, or even refinance your existing mortgage.

What is a Home Equity Line of Credit (HELOC)?

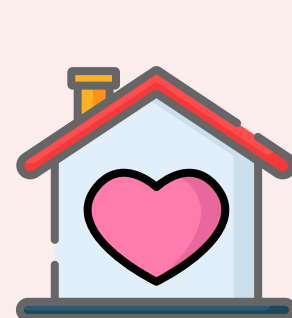
A HELOC is a type of loan that allows a homeowner (like you) to borrow against the equity in your home. It is a line of credit, which is like a credit card that allows you to pay for things as you need them.

Unlock the Equity in Your Home

To obtain a HELOC, you first need to have equity in your home. Equity is the difference between what you owe on your mortgage(s) and what your home is currently worth. Generally you can borrow around 80%-90% of the equity in your home to cover expenses as they arise.

HOME EQUITY EQUATION

$$\text{Current Market Value} - \text{Mortgage Loan Balance(s)} = \text{Equity}$$



HOME MARKET VALUE

— MORTGAGE(S)

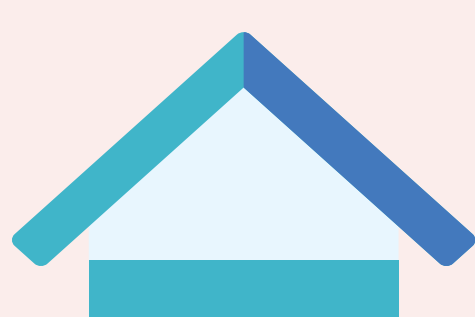
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EQUITY

\$750,000

\$450,000

\$300,000



\$6.2 Trillion untapped equity

Available Credit Line 85%

$$\$300,000 \times 85\% = \$255,000$$

According to Black Knight, U.S. homeowners were sitting on \$6.2 trillion in untapped home equity in 2019.*

*<https://themreport.com/daily-dose/01-02-2020/forecasting-helocs-in-2020>

How does it work?

Like a Credit Card

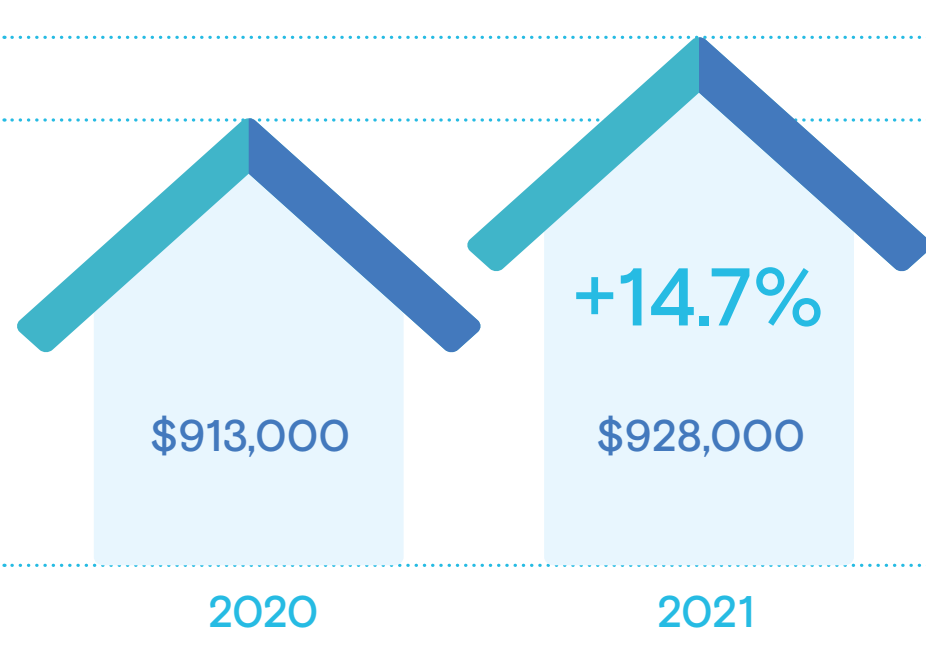
You can draw down the line of credit as you need and then pay off the balance at your own pace. Plus, with a HELOC, you're usually only required to make interest only payments until your repayment period starts. Unlike a credit card, the line of credit is not open forever.



The line is generally available for 10-15 years, during the draw period. When you've reached the end of the draw period, you enter the repayment period which lasts about 15-20 years.

Did you know?

During April 2021 the median price paid for single-family home in Hawaii increased by 14.7% from April 2020 to \$928,000.*



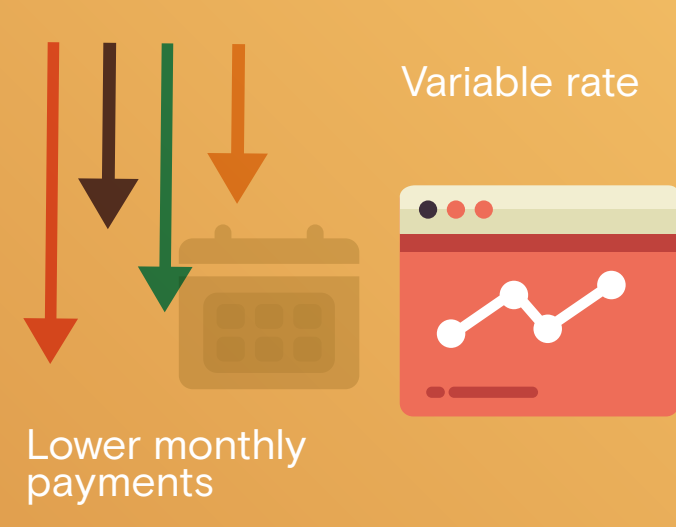
This could mean your home's value has increased giving you more equity to tap into for the things you need.

* <https://www.hicentral.com/market-press-releases.php>

What do you need to know?

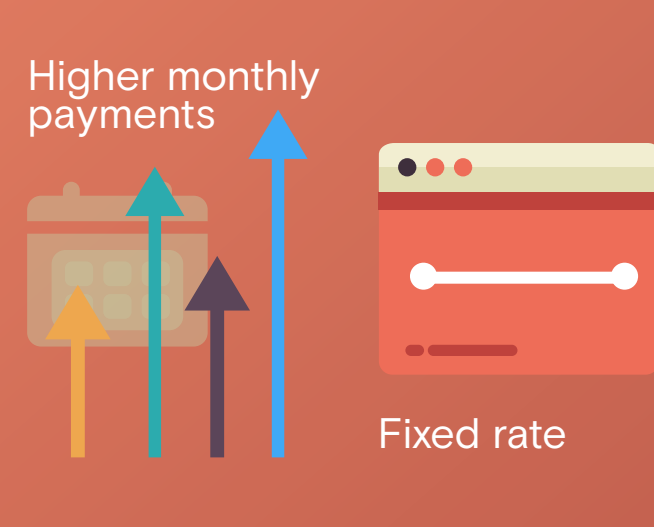
Variable Rate Promos

Most lenders allow you to lock in a low introductory promotional rate for the first one to four years. After that, the loan will switch to a higher variable rate.



Fixed Rate Loan Option (FRLO)

Some lenders offer the flexibility to set all or a portion of your line balance to a FRLO. With this option, you'll be able to lock a rate and term, and make fixed - principal and interest payments until the FRLO is paid off.

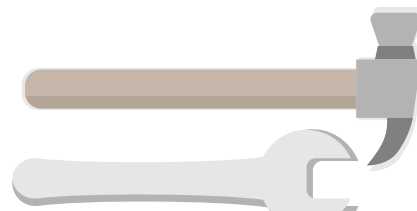


How to utilize it?

TOP 3 USES



Debt Consolidation



Home Improvements



Refinance



01 Consolidate Your Debt

A HELOC is most commonly used to consolidate high interest debt. HELOC interest rates are generally lower than other types of loans because it's secured by your home, which makes it an ideal financial tool to refinance higher interest debt like credit cards, personal loans, car loans and more.

02 Home Improvements

Need a new roof or want to remodel your kitchen? HELOCs offer a flexible and convenient way to pay for it.

03 Refinance Existing Mortgage

Did you know some lenders allow you to refinance your existing mortgage with a HELOC? You could save by lowering your interest rate with little to no closing costs, taking the guesswork out of calculating whether the guesswork is right for you.

04 Finance Investment Properties

This one is for the up-and-coming real estate investors. You can use the equity from your home to purchase another. It's a low-cost way to fund your investment property.

05 Large Purchase

Have you been eyeing that boat, 82 inch TV or new central air system? A HELOC can help you pay for it. But it's important to know what you can afford so you don't overextend yourself. Although your home can help you pay for big expenses, sometimes it's better to save for it.

06 Emergency Fund

Unexpected expenses always tend to come at the worse time. A HELOC gives you access to cash without having to pay any interest until you use it. Take out a HELOC so you can be ready for the unexpected.

07 Education Expenses

Need to pay for college? The equity in your home can help cover those costly college or private school expenses.

