Key Facts about Interest-Only Home Equity Lines of Credit

FREMONT BANK

Are you considering an interest-only home equity line of credit? If so, here is some key information on the risks and benefits to help you decide if an interest-only home equity line of credit (HELOC) is right for you. A Fremont Bank "interest-only" HELOC allows you to pay only the interest on the money you borrowed for the first ten years of the mortgage. This is known as the "interest-only period". If you only pay the amount of interest that's due (interest and any fees), once the interest-only period ends:

- You will still owe the original amount you borrowed.
- Your monthly payment will **increase**—even if interest rates stay the same—because you must pay back the principal as well as interest and fees.
- Ask what the payments on your HELOC will be after the end of the interest-only period.
- Ask about what your payments can be if interest rates increase.

BENEFITS	RISKS
• Interest-only payments on the amount used during the interest only or draw period. • A home equity line of credit is a reusable source of funds • Easy access to your home equity credit line in person at a Fremont Bank branch or by using your Equityline checks. • Interest rates are typically lower than credit cards and other loans. • May be able to borrow up to 80% of your home's value. • You may make extra, additional principal payments with your monthly payment – this is not early termination (prepayment) of the entire loan and there is no penalty for these extra amounts.	• If you make the minimum payment of interest only, you will still owe the original amount you borrowed at the end of the interest only period. • During the repayment period, your monthly HELOC payment will increase, possibly significantly, because you will have to start paying back principal as well as interest. • Your interest rates may increase as often as monthly which could increase your monthly payment. Interest rate can vary monthly based on the Prime Rate published daily in The Wall Street Journal. • If your home does not increase in value and you make interest only payments, you are not building equity (value) in your home. (See Home Equity section for additional information). • You are responsible for payment of property taxes and insurance. • There is an early closure fee of $500 if you close your HELOC account within the first 3-years of opening the credit line.

Home Equity

Home equity is created when the value of your home increases and/or when you reduce the amount you owe on your home through your loan payments. If your home does not increase in value and you make interest-only payments, you are not building equity. This may make it harder to refinance your mortgage or to receive funds from the sale of your home. In fact, if the amount you owe on your home, along with the costs associated with selling it (such as the real estate sales commissions and closing costs) exceeds the sales price, you will not receive any cash when you sell, and will have to pay additional funds to your lender or to other parties when you pay off your mortgage.

SEE THE HOME EQUITY LINE OF CREDIT DISCLOSURE PROVIDED AT APPLICATION FOR ADDITIONAL INFORMATION