

# KEY FACTS ABOUT INTEREST-ONLY

## *Home Equity Lines of Credit*



Whether you are buying a house or refinancing your mortgage, this information can help you decide if an interest-only home equity line of credit (HELOC) is right for you. An “interest-only” HELOC allows you to pay only the interest on the money you borrowed for the first five or ten years of the mortgage. The first five or ten years is known as the “interest-only period.” If you only pay the minimum amount 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 significantly because you must pay back the principal as well as interest and fees.

### *Benefits*

- Interest-only mortgage payments during the interest only or draw period.
- A home equity line of credit is a reusable source of funds.
- No negative amortization.
- Easy access to your home equity credit line with checks or credit card (available in most states).
- May be able to borrow up to 90% of your home’s value.
- FlexLoan conversion option\* – you may convert all or a portion of your HELOC balance to a fixed-rate amortizing payment.
- 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.

### *Risks*

- 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.
- When your repayment period begins, your monthly HELOC payment will increase 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 termination fee (prepayment penalty) of 2% of the initial credit line amount or \$500, whichever is less, for closing your Capital Bank HELOC within the first 3 years. Fee is waived in certain situations.

### *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 ‘IMPORTANT TERMS’ HOME EQUITY DISCLOSURE PROVIDED AT APPLICATION FOR ADDITIONAL INFORMATION.  
YOU SHOULD CONSULT A TAX ADVISOR REGARDING THE DEDUCTIBILITY OF INTEREST AND CHARGES FOR THE LINE OF CREDIT.**

\*Flex-Loan fixed-rate conversion/commitment fee (FINANCE CHARGE) is \$500 for each conversion and is subject to change. Fixed-rate conversion applies to single-family, owner occupied properties or 2nd homes. (Townhomes or condos are also acceptable.) Fixed-rate conversions are available 6 months after the HELOC is opened. The original HELOC must be in 1st, 2nd or 3rd lien position on title. The fixed-rate conversion option does not apply to any HELOC product with a CLTV greater than 100%. Maximum number of fixed-rate conversions allowed per HELOC is four. Fixed-rate conversions are not allowed for HELOCs secured by properties in Texas or on HELOCs which have previous past due payment of 60 days or more. Fixed-rate conversions are available during the draw period only. Terms, rates and fees are subject to change, without prior notice, prior to closing your fixed-rate conversion. Minimum conversion amount is \$10,000 unless total balance is less than \$10,000. Certain restrictions and documentation requirements apply.

