Top HELOC FAQs Every Client Should Know

Silver Hill Capital

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HELOC Terms at a Glance	
Draw period	60 months
Draw methods allowed	Draw check; request by phone; written request via internet
Draw methods not allowed	Credit card; in-person requests
Payments during draw period	Interest-only
Payments during repayment period	Fully amortizing
Qualifying Payment	Fully amortizing based upon total credit limit. Amortization term based upon repayment period.
Qualifying Rate	Index + Margin + 2%
Interest calculation	Actual/365; daily simple interest
Minimum lifetime floor rate	4%
Maximum lifetime ceiling rate	18% (16% in North Carolina), subject to applicable state maximums
Teaser rate	Not offered

*Please refer to the product matrix for additional requirements.
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HELOC Terms & Servicing

1. **How long is the draw period?**
   The draw period is 60 months (5 years).

2. **How are payments calculated?**
   a. Draw Period Payments – during the 60-month draw period, payments are interest-only. Daily period interest is calculated using 365/365.
   b. Repayment Period Payments – payments are fully amortizing
   c. Qualifying Payments - Fully amortizing based upon total credit limit. Amortization term based upon repayment period using "qualifying rate".
   "Qualifying Rate" = Index + Margin + 2% .

3. **How is HELOC interest calculated?**
   Interest is calculated using Actual/365, a daily simple interest method.

Closing Documents & Encompass Setup

1. **Which draw options should be selected in Encompass?**
   Select only permitted draw options (Draw check; request by phone; written request via internet). Do not select "credit cards" or "in person." Only Silver Hill Capital's permitted draw methods should be selected.

2. **How should Encompass field [4607] be configured?**
   Leave field [4607] blank. This is the only permitted option for payment-calculation language on the HELOC Agreement and Important Terms Disclosure. Do not select "to the nearest dollar" or "up to the nearest dollar."

3. **What are the initial disclosure requirements when using ICE Docs?**
   Refer to the HELOC Closed Loan Delivery Checklist.

4. **Can we use our own HELOC note?**
   Silver Hill Capital will review a seller-preferred note. Follow the Credit Risk Management announcement for submission instructions.

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Eligibility, Valuation & Title

1. **Do any approved AVM vendors address declining-market requirements?**
   Clear Capital addresses the declining-market requirement. If an AVM does not address declining-market conditions, an appraisal is required.

2. **Are fraction-of-balance repayments allowed?**
   No.

3. **If HELOC proceeds are used to purchase a new primary residence, how is the existing home treated?**
   If the borrower intends to convert the departing residence to an investment property, follow Fannie Mae Selling Guide Section B3-3.8-05, "Rental Income from Non-Subject Property – Departing Residence," for applicable qualification requirements.

4. **Is a HELOC allowed on a home owned free and clear?**
   Yes. First- and second-lien options are available.

5. **When is full ALTA title required?**
   Full ALTA title is required for a first-lien HELOC. Full title is also required for either first- or second-lien HELOCs when the loan amount exceeds $250,000 and CLTV is greater than 70%.

Fees

1. **What is the HELOC funding fee?**
   The funding fee is $350.

2. **What fees are charged on HELOC loans? The following are suggested fees:**
   a. Late Fee – 10 day, 5% (subject to state restrictions)
   b. Return Check Fee - $25 (subject to state restrictions)
   c. Stop Payment Fee - $15 (subject to state restrictions)

Reference note: Confirm current program guidelines, document availability, and applicable state requirements before distributing externally.

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