<u>Key Facts about Non-Traditional Mortgage Features</u>

Interest-Only Mortgages

Whether you are buying a house or refinancing your mortgage, this information can help you decide if an interest-only mortgage is right for you.

An “interest-only” mortgage allows you to pay only the interest on the money you borrowed for the first few years of the mortgage. This is known as the “interest-only period” (for example, the first 5 years of the loan). If you only pay the amount of interest that’s due, 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.

▶▶ <u>Ask what the payments on your loan will be after the end of the interest-only period. If you are considering an adjustable rate mortgage, ask about what your payments can be if interest rates increase.</u>

<u>Additional Information</u>

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 sale price, you will not receive any cash when you sell, and will have to pay additional funds to your lender or to parties when you pay off your mortgage.

Early Termination Fees

Some home equity products have early termination fees. If you refinance your line/loan or pay your account in full during the first three years of your home equity, you could owe an additional early termination fee. Ask whether your home equity product has an early termination fee and, if so, how much it can be.

No Doc/Low Doc Loans

Lenders often charge more for “reduced documentation” loans. These loans typically have higher interest rates or other costs compared to “full documentation” loans that require you to verify your income and other assets. (By verifying your income, you help the lender to be sure that you can afford the loan payments.) If you are considering a loan with a reduced documentation feature, ask if you’ll be required to pay more (in interest and/or fees) for not submitting income and asset documentation.

Provided for informational purposes. Not all features apply to or are available with products offered by HSBC..

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