

Section 6.2

Home Equity Loans Home equity loans are loans in which a homeowner borrows money using the equity of the home as collateral. The table shows home equity loan rates and terms. In Exercises 7–11, use the table.

Home Equity Loans

Loan Type	APR	Term
Home equity-subordinate mortgage (0–60 months)	5.24	60
Home equity-subordinate mortgage (61–84 months)	5.49	84
Home equity-subordinate mortgage (85–144 months)	5.99	144
Home equity-subordinate mortgage (145–180 months)	6.49	180



- You choose a term of 144 months for a \$50,000 home equity loan. What is the monthly payment?
- Create an amortization table showing how the balance of the loan decreases.
- What is the cost of credit for the loan?
- When is the remaining balance less than one-half of the original loan amount?
- You receive a 0.25% reduction in APR by initiating automatic monthly payments from your checking account. How much do you save over the term of the loan by doing this?
- Comparing Loans** Your credit score of 660 is too low to receive the loan above. You use the Internet to find the home equity loan options shown. You receive the APR discount, and the term is 10 years. How much more do you pay in interest with Radiance Bank than with Sunny Bank?

Results (4) Calculator Print

	Loan Type	Lender	Credit Score	APR	Fees and Conditions
<input type="checkbox"/>	\$50K home equity loan	Any Bank Posted: 03/02/12 Contact	600-850	10.04	0.25% APR disc w/auto debit; \$500 fee; \$10,000 min
<input type="checkbox"/>	\$50K home equity loan	My Bank Posted: 03/02/12 Contact	700-850	5.49	
<input type="checkbox"/>	\$50K home equity loan	Sunny Bank Posted: 03/02/12 Contact	660-850	7.14	0.25% APR disc w/auto debit; \$5,000 min
<input type="checkbox"/>	\$50K home equity loan	Radiance Bank Posted: 03/02/12 Contact	660-850	7.34	0.25% APR disc w/auto debit; \$5,000 min