

How Home Equity Loans Work

Home equity loans allow you to borrow against your home's value over the amount of any liens against your property. They can provide access to large amounts of money and can be a little easier to qualify for than other types of loans because you are using your home as security.



A home equity loan is a type of second mortgage. Your first mortgage is the one you used to purchase the property, but you can use additional loans to borrow against the home if you've built up enough equity. Using your home to guarantee a loan comes with some risks, however.

You can use one of two options when you borrow with a home equity loan.

You can take a large lump sum of cash up front and repay the loan over time with fixed monthly payments. Your interest rate will be set when you borrow and should remain fixed for the life of the loan. Each monthly payment reduces your loan balance and covers some of your interest costs.

You might also be approved for a home equity line of credit (HELOC) for a maximum amount available and only borrow what you need from that amount. This option allows you to borrow multiple times after you get approved. You can make smaller interest only payments in the early years, but at some point you must start making larger payments that include the portion of the line of credit you have used.

Interest rates on HELOCs are typically variable. Your interest charges can fluctuate over time.

Continued on the back.

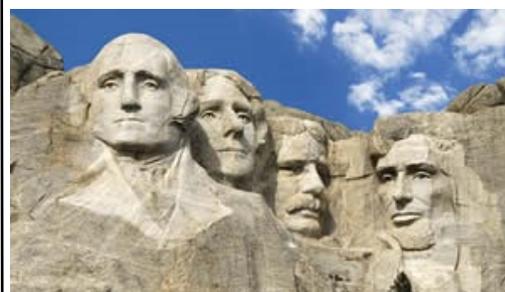


Debra Horne	35 years
Angie Flyte	19 years
Marcie Falcone	2 years

Holiday Hours:



Martin Luther King Day
Monday, January 21st
All Offices Closed



Presidents' Day
Monday, February 18th
All Offices Closed

Electronic Services, including ATMs, Online Banking and Mobile Deposit are always available for your convenience.

How Home Equity Loans Work (Cont.)

Home Equity Loan Benefits

Home equity loans are attractive to borrowers and lenders. They can offer funds for anything you want if your home is worth more than you owe on it. You don't necessarily have to use the money for home-related expenses, and these loans typically have lower interest rates than credit cards and personal loans, usually quoted as an annual percentage rate (APR).

Borrowers can qualify for relatively large loans when they have sufficient equity. Your home equity might be the only source of funding available for large expenses like home improvements, higher education, or starting a business.

Home Equity Loan Drawbacks

The main problem with these loans is that you can lose your home if you fail to stick to the monthly payment schedule that your lender requires. If you fail to repay, the bank can foreclose on your home, taking your property and selling it to recover any unpaid funds.

It can be tempting to use your home as an ATM because these loans can provide a lot of cash, but it's best to reserve your home's equity for things

that will improve its value, lead to a higher income for your family, or add significant value to your life.

The Tax Factor

Some taxpayers were able to claim an itemized deduction for interest paid on home equity loans in tax years up to and including 2017. That deduction is no longer available as a result of the Tax Cuts and Jobs Act unless you use the money to "buy, build or substantially improve" your home, according to the Internal Revenue Service. Speak with a tax professional to find out how your home loans may affect your taxes.

Home equity loans and lines of credit are very popular because they offer a low cost alternative to pay for large expenses and/or provide you with liquidity should the need for cash arise.

Do you think this may be the right product for you? Do you still have questions? Perhaps, you're already shopping for home equity financing? Be sure to speak with The Milford Bank! Our options are among the best in the area, and we'll walk you through the process from beginning to end! We're always here for you!

Source: thebalance.com

Business Checking Customers:

We're pleased to announce, on January 1st, we converted all of our Small Business Checking Accounts to a new product called VIP Checking.

With VIP Checking, you can make up to 1,000 transactions to your account each statement period for **FREE!** (Small Business Checking allowed up to 350 no charge transactions each month.)

If you previously had a Small Business Checking Account, there is nothing you need to do. This change has already been made for you.

Over the last year, we've made lots of changes. We've given our online banking for business a

complete overhaul and added mobile deposit for business to give you the best user

experience available. Look for more changes in 2019! We're always working to make your banking as easy and convenient as possible.

(What is considered a transaction? Deposit slips, deposited items, checks written, and ACH deposits and withdrawals are considered transactions.)

