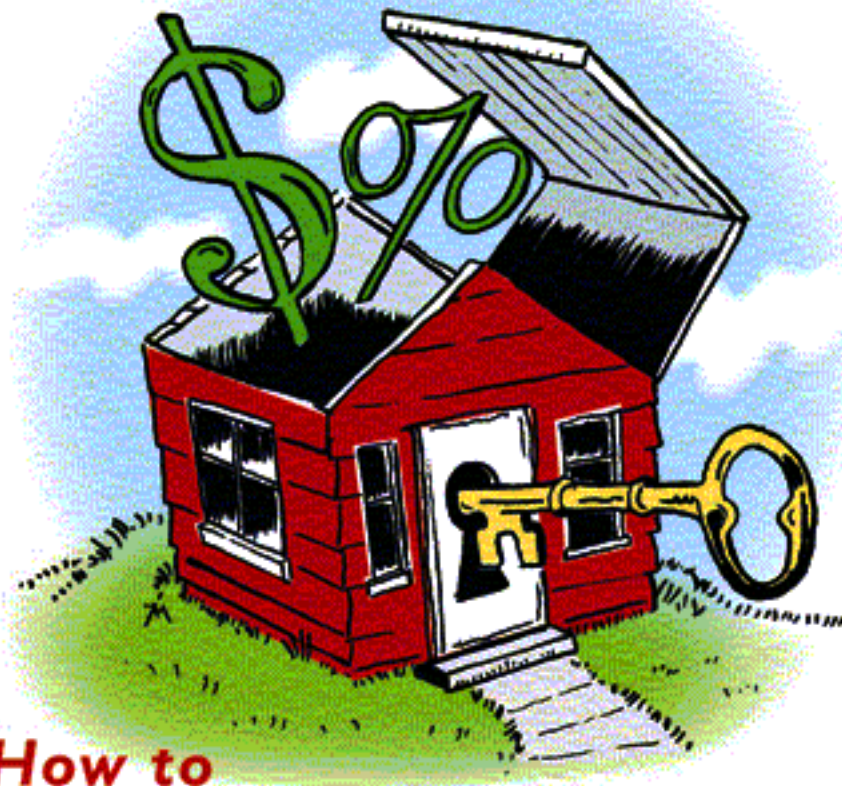


*The Insider's Guide to*  
**HOME EQUITY  
BORROWING**

**Pete Hitesman**



**How to**

**Find the Best Lender,  
Get the Best Deal &  
Get Approved Fast!**

*Foreword by Joe Kennedy, former president of E-LOAN*



*The Insider's Guide to*  
**Home Equity  
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**Pete Hitesman**

With a foreword by Joe Kennedy,  
former president of E-LOAN

**Relentless Press**

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## Acknowledgements

This book is dedicated to all the people who want to make smart decisions and learn how things really work. I hope that it helps you accomplish your goals.

To the people that made a real difference in *my* life—I am forever grateful.

Many people have helped the author both professionally and personally during the course of writing this book, and I am deeply grateful to them. Scott, you were my original inspiration for this book. Thank you, my friend!

## DISCLAIMERS

I am not a legal, financial or tax advisor. I have no way of knowing your individual situation, and I take no responsibility for how you use the information contained in this book; any such use is entirely at your own risk. You must obtain specific counsel from appropriately certified specialists for your own unique situation. All lenders have unique and proprietary lending and underwriting standards. No book can adequately encompass all of these, nor do I attempt to achieve that in this book.

Although the publisher and author have made every effort to ensure the accuracy and completeness of the information contained in this book, we assume no responsibility for errors, inaccuracies, omissions or any inconsistency herein. Any slights to people, places or organizations are unintentional.

The customer comments between chapters have been necessarily altered in detail, name and date, so as not to breach customer confidentiality. Suffice to say, the comments capture the essence of the original writings.

During the course of writing this book, I was employed by E-LOAN, a leading online lender, as a loan consultant. All of the opinions, views, ideas, thoughts and comments expressed are entirely mine and not those of E-LOAN.

This book is not associated with or sponsored by any lender or financial institution. It is written for the ninety million homeowners who deserve an objective look at how the home equity borrowing process works, and the ways to make it work for them!

-----Original Message-----

**From:** The Smiths

**To:** peteh

**Subject:** My Loan Experience

Dear Sir,

I recently filled out a survey, but would like to write to you directly about our loan experience. We applied for a home equity loan and were contacted by Pete Hitesman.

The excellent loan experience we had was due entirely to Pete's service. I was a Vice President with global responsibility for a major medical company so I know a customer-oriented person when I meet such an individual. I would have been pleased to have Pete work for me. His level of service and responsiveness is first rate.

I explained to Pete that we wanted to complete the loan in a short period of time. Pete kept us informed of the progress of our application at every step of the process. An important question arose and I called Pete on the weekend expecting to leave a voice mail. Imagine my surprise when Pete answered the phone and took care of my concerns!

The closing company ran into a problem for disbursement of proceeds from the loan. I called Pete and he had the funds available to us in a very few days.

Working with Pete was a pleasure.

Best Regards,  
Richard S.

# Foreword

**by Joe Kennedy,  
former president of E-LOAN**

Home equity loans and lines of credit are the fastest growing consumer loan category in the US. More and more consumers are finding that their low cost and general tax deductibility make them a superior alternative to other loan types such as credit card debt or personal loans. According to US census data, these loans have grown from almost nothing in the early 1980s to being used by one in six US single family homeowners in 2000.

As this category of loans continues to grow, it is important that consumers have the opportunity to become fully educated in the unique features and characteristics of these loans. Historically, home equity lending has been given no more than a brief few paragraphs in consumer guides to mortgages. This information is not only incomplete but has also become out of date as home equity lenders have brought innovation to their offerings, in many cases making them more distinctly different from traditional mortgage loans.

This book fills the void many consumers have felt as they seek to become fully educated before taking out a home equity loan. Completely dedicated to home equity lending, it covers all of the information smart consumers should know before making the kind of major commitment a home equity loan represents.

—*Joe Kennedy*

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-----Original Message-----

From: Brian W.

To: peteh

Subject: feedback

Dear Sirs:

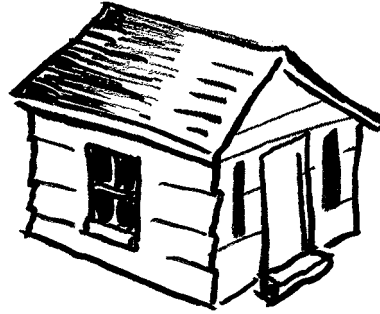
In the past year I have closed four loans with your company. Pete Hitesman was my most recent loan specialist, and I'd like to share some feedback with you on my experience with him on this loan.

Pete is undoubtedly the most professional of the specialists with whom I have dealt. He was extremely competent in all phases of the loan process, and was intuitive enough to anticipate (and act upon) the obstacles that often accompany this type of transaction.

As a result, the deal progressed very smoothly. I felt extremely comfortable with him throughout the entire process. Pete should be commended for his outstanding service. As a result of my positive experience with him, I shall request him in all future transactions with your firm. Thanks very much for the excellent service!

Sincerely yours,  
Brian W.

# 1



## **Do You Know the Important Facts about Home Equity Borrowing?**

### **In This Chapter**

Why This Book?

Finally—Some Answers!

Twenty Ways This Book Will Help You

Risks of Home Equity Borrowing

Welcome to the NEW You!

## WHY THIS BOOK?

A home equity loan or line of credit is one of the most economical sources of borrowing available anywhere today. The cost to obtain one can be low or even zero. Interest rates are lower than for any other source of borrowing. The interest paid, in most cases, is tax deductible as mortgage interest, giving further advantage to the already low interest rate.

You can find a wide variety of lenders offering Home Equity Loans (HELs) and Home Equity Lines of Credit (HELOCs or LOCs), from banks and credit unions to homebuilders, mortgage lenders, and specialized home equity lenders. What was once a tool for only the financially sophisticated is now a tool to be taken advantage of by every savvy homeowner!

The inspiration for this book came from working with nice people all over the United States to help them achieve their borrowing goals. It is always a real thrill for me—structuring a challenging deal at a good rate, probing for necessary information, shepherding it through underwriting and seeing it funded.

But, oh, how misunderstood home equity borrowing can be for most people! In the course of talking with customers every day at a leading online lender, and personally originating more than a thousand home equity loans and lines of credit, I have heard many of the same questions and responded to the same concerns day after day.

The variety of choices available for ways to access home equity has grown tremendously over just the past couple of years. Lenders have created a bewildering array of new products for what they perceive to be borrowers' needs.

For the potential borrower there is a lot of information out there but it is scattered in many different places. None of it tells you how to actually get a good deal from ground level. This book, with its down-to-earth language and front-line, “battle-proven” strategies, is the answer to that conundrum.

No longer do you have to spend weeks web searching. No more reading home buying or mortgage books just to find a few measly words about home equity borrowing (with some of it just plain wrong!). The wisdom you need is now at your fingertips ...

This is your all-in-one resource for the information every homeowner must know and it is full of realistic answers for everyday borrowing questions.

### **FINALLY—SOME ANSWERS!**

The primary goal of this book is to help you understand exactly how equity loans and credit lines work, how to get the best rate, and how to get approved as quickly as possible. But I will also endeavor to “help you help yourself” by providing a look inside the process, and offer fixes for the little glitches that sometimes pop up.

I will reveal and explain what goes on in the background. A tour of the factory, if you will. I will show you shortcuts, and give insider information that until now was not well known outside of the lending community. The result is that you, The Borrower, will be able to navigate the application and approval process quickly and successfully with a minimum of anxiety, confusion or frustration.

This book also seeks to provide a better understanding of the specific products that are available with the goal of helping you to make

the right choices for your own unique situation. It is not possible to specifically address every possible package of loan available, but the basic principles will be looked at in detail, providing you with a strong foundation from which to make an informed decision.

One of the most valuable features of this book is the collection of over one hundred insider tips to help you negotiate the process. All too often, a loan representative will decline an application that is otherwise approvable for lack of knowledge about how to structure it. That is a shame and a waste of time for everybody. You will find tips on helping your loan representative to construct a deal to fit your unique situation.

The great majority of lending representatives are conscientious, resourceful people motivated to help you get what you want. But, the world in which they operate can be extremely fast paced. They speak to a variety of people all day long, deal with hundreds of emails, and their phones sometimes never seem to stop ringing.

This book will provide you with some of the detailed information that, in a perfect world, they could sit down and discuss with you over a cup of coffee or two!

You will find that this book is arranged in a logical format, and follows the flow of the process. Feel free to skip around to different chapters and sections, but read it through at least once to avoid missing the various tips that are sprinkled throughout. Those with little or no financial acumen will find it especially important to read the complete book front to back, to gain the best understanding of the material. I've tried to make that a painless process.

As you read this book, please keep in mind that every lender

will have his or her own proprietary qualification and underwriting guidelines. It is impossible to discuss specific lender guidelines, and probably a violation of confidential information to do so. With that said, the approval criteria discussed in this book are in the public domain by necessity—every day loan representatives discuss them with their borrowers as part of the application process.

This book may cover subject matter that is of no concern to the lender that *you* work with. Still other lenders may have requirements that are not addressed here. Suffice to say that approval guidelines are similar enough among lenders that this book should address the vast majority of the situations you are likely to encounter, and give you the understanding to assess those situations that fall outside the four corners of what I cover.

Throughout this book lender jargon is generally defined the first time it is used, and may also be found in the glossary. Certain abbreviations will be used often such as “HE” for home equity, “LOC” for line of credit, and “HEL” for home equity loan.

Frequently the word “loan” is used in reference to both loans and credit lines, and it should be apparent from the context which one is being addressed. Do not be intimidated by jargon. I will guide you through it!

### **Onward, Upward!**

You are about to learn more about borrowing on your home equity, choosing a lender, getting a fast approval, and getting a great rate than has ever before been possible from one source!

No discrimination or offense is intended by use of gender specific wording or by essentially interchangeable titles such as lending

representative, loan officer, loan advisor, loan consultant, etc. Regardless of gender or title, home equity professionals all perform the service of helping you with your application and all seek the same goal—getting you approved!

## **TWENTY WAYS THIS BOOK WILL HELP YOU**

This book will help you:

- Decide if accessing home equity is a wise choice for you.
- Assess risks associated with home equity borrowing.
- Understand the various uses for home equity.
- Understand why you might choose to pay off an existing first mortgage with a HEL or HELOC.
- Understand when the interest is and is not tax deductible.
- Choose your lender.
- Know the difference between a HEL and a HELOC.
- Decide whether you should buy the interest rate down with “points.”
- Know how to get a loan when you have *no* equity.
- Qualify for the best rates.
- Determine whether a “stated income” program is right for you.
- Know whether an appraisal is required.
- Apply inside tips and tricks for getting approved.
- Know when to leave a spouse off the application.
- Understand how to get a better credit score.
- Help the lender to help *you* get approved.
- Understand what an underwriter does.
- Be prepared for the closing.
- Know how long it takes to get your money.
- Know what happens to your loan after it funds.

## RISKS OF HOME EQUITY BORROWING

This book takes no position as to whether obtaining a home equity loan is right for your personal situation. Its goal is not to tout equity borrowing as the answer to all borrowing needs. If you borrow on your equity and housing prices fall, you may become *upside down* (lender-speak for owing more than the value) in your house.

It is important to understand from the beginning what risks are involved. You must understand what can happen if things do not go as planned after you obtain a home equity loan. People sometimes ask if they can lose their house if they do not pay their HEL or LOC bill when it comes due.

The answer is *yes*.

Obviously, it will take a lot more than one late payment to cause a foreclosure but ...



**Your home is collateral for home equity borrowing, and as such, it can, in a worst-case scenario, be seized and sold to satisfy your outstanding unpaid balance! You must always be aware of this, and respect the consequences of a default.**

Do not borrow against your home equity carelessly or recklessly. With that said, it is the very fact that these financial instruments are secured by your home that results in the low interest rates that LOCs and HELs offer. Any lender “prices” their products based on risk. Interest rates and risks are and will always be inextricably linked in the eyes of the lending world.



**More risk equals a higher rate, and more paperwork needed. Less risk equals a lower rate, and less paperwork needed.**

Have this tattooed on your favorite body part. It will always be true, just like death and taxes. The good news is that default on mortgage-backed debt has historically been quite low and that is why rates are so low compared to other forms of debt. Rate determination will be discussed in more detail in chapter 8.

Keep in mind that your lender has no desire to take your home from you. Lenders make their profit by collecting the interest and/or servicing your loan. They are not in the business of building a portfolio of foreclosed homes.

Pay your monthly statement promptly when it arrives, and you will not have any problems.

## **WELCOME TO THE NEW YOU!**

What do I mean by that? Well, this book will equip you to be the master of your own borrowing destiny. Furthermore, many of the insider secrets you will discover about home equity borrowing can be applied to other areas of lending. You will have the confidence that you are doing the right things, for the right reasons, for you and your family.

Unlike other books that are soullessly churned out cookie-cutter style and cheerfully mass-marketed to “Dummies” or “Idiots,” here you will discover a treasure trove of front-line strategies, tactics and

insider information found nowhere else. In today's modern financial world, it is no longer sufficient to pay an author to talk to a few people in a certain business then write just another book.

*You* deserve congratulations on making the decision to live a savvy financial life.

Here is a snapshot of the New You!

- You will know exactly what home equity is and how to determine how much you have to access. You hear about home equity everywhere, but now you will understand it better than your banker.
- You will understand, from a plain language explanation, about the two basic tools used to access your equity. This will allow you to intelligently assess the most important part of your borrowing process.
- You will know how to make a decision about which tool to choose, based on your specific, individual needs. This will help you avoid choosing the wrong product for the wrong need.
- You will discover the critical characteristics of products from different lenders, so that you know specifically what to look for and what questions to ask.
- You will understand clearly and easily how a HELOC works, why and when the rate changes, and how you repay it. This information alone is the subject of greatest misunderstanding for most people. You will understand it with crystal clarity after reading this chapter.

- You will have the knowledge of exactly what crucial attributes to look for in a lender. This will help ensure a quick and easy process for you.
- You will see examples from everyday real-life lending of ten things *not* to do. This will allow you to have a much smoother and enjoyable experience.
- You will learn what key information to put down on your application, and what *not* to put down in order to obtain the best rates, and best chances for a fast approval.
- You will know about different “Doc types” which are instrumental in rate determination and the amount of paperwork you will have to provide.
- You will learn how to manage the all-important “ratios” that your lender uses to determine your rate and chances for approval. This is key to getting the best deal.
- You will see ways to structure problem deals that even many seasoned loan officers have never considered. If you have a tough and challenging deal, you must see these unique and creative strategies if you want any hope of approval.
- You will understand the right way to challenge your lender’s valuation of your property, and learn about helpful alternatives. This could result in more money at a lower rate for you.
- You will discover a key insider secret, the “pricing matrix,” find out where to look at one, and most importantly learn how to

position your application within it so that you get the best rate.

- You will have an insider view of the critical aspects of your credit report, and learn how to positively impact your score. This is essential in today's credit-driven world, where everything depends on credit.
- You will know where to navigate on the web to find free rate shopping, valuation and credit information. These valuable resources will give you additional ways to help you help yourself.
- You will find out every step of the vital underwriting process, as only an insider can show. Understanding this area will show you how to overcome common pitfalls with title and credit issues.
- You will find out what is involved with wrapping the deal up and getting closed. Learn ahead of time the answers to the three most common closing and funding questions so that you can rest easy.

-----Original Message-----

**From:** Danny/Mandy

**To:** peteh

**Subject:** Thank You

Dear Sirs,

Please allow me a few moments of your time to compliment you on your company and employees. I contacted you to enquire about a home equity line of credit.

I "met" Pete Hitesman and my favorable first impression of your company only improved. Pete has done what I consider an outstanding job in handling my account. I never sent an e-mail that didn't receive a prompt acknowledgement. There was never a question I asked that didn't have an immediate answer. His ability to communicate with and care for the customer speaks volumes about you and the company you represent.

With Pete, the reviews are nothing but first rate, he knows his business inside and out. His personality, attention to detail and diligence to customer satisfaction can only reflect the pride you must have in him, your company and its mission.

Yes, our loan request was approved and we closed on time, as scheduled. The efficiency, personal care and dedication of your staff members such as Pete, surely makes your company the benchmark by which all other companies must be measured.

Sincerely,  
Danny and Mandy