

Using Home Equity Quiz

1. Home equity is defined as:

- How much the home has appreciated in value since you purchased it
- The part of the home's value that you own outright
- The balance remaining on your mortgage

2. Which of the following do appraisers typically not consider when evaluating a home:

- How long you have lived in the home
- The home's square footage
- Access to transportation

3. Which of the following usually has a fixed interest rate:

- Home equity line of credit
- Reverse mortgage
- Home equity loan

4. If you are "upside-down", that means:

- You owe more on your mortgage(s) than the value of your house
- The current market value of your house is less than what you paid for it
- You cannot afford to make your mortgage payments

5. When you refinance for more than what you owe on your existing mortgage, that is called a(n):

- Expansion refinance
- Cash-out refinance
- Equity refinance

6. If you are planning to sell your house soon, refinancing to a mortgage with a lower interest rate:

- May not be a good idea, since the closing costs could be higher than what you will save in interest
- Will always save you money, no matter how long you plan to stay in the house
- Only makes sense if you can lower your interest rate by at least one percentage point

7. A reverse mortgage is called such because:

- You loan someone money to purchase a home, instead of borrowing
- Over time, your debt rises and your equity decreases, unlike with a traditional mortgage
- You use it to pay off your existing mortgage

8. In general, in order to get a reverse mortgage, everyone on the title must be at least:

- 65
- 60
- 62

9. Refinancing or taking out a second mortgage:

- Is always a good idea, since the interest rates are low, and at least some of the interest is usually tax deductible
- Can lead to problems if you cannot afford the new payments
- Is only a good idea if you really want some extra money

10. For which of the following loan types does the Truth in Lending Act not give you the right to cancel within three business days:

- Home equity loan, if it for less than \$20,000
- Reverse mortgage, if it is with an in-state lender
- Refinance, if it done with the same lender who held your old mortgage, and you do not take any cash out