

Fewer Options for Home Equity Loans

Daily Real Estate News | Wednesday, August 12, 2015

Wells Fargo and Bank of America announced they are discontinuing some of their home equity loan products, Bankrate reports.

Bank of America says it's ending the loans because it is working on "product simplification," but Wells Fargo attributes its decision to the "Know Before You Owe" rule, which goes into effect Oct. 3. The rule — also known as TILA-RESPA Integrated Disclosure — [brings new documents](#) to the mortgage lending process.

Home equity loans come in two types: closed-ended (usually just called a home equity loan) and open-ended (referred to as a home equity line of credit). A HELOC involves revolving credit where borrowers can choose when and how often to borrow against the equity in the property (a lender sets an initial limit to the credit). On the other hand, a home equity loan is a one-time lump-sum loan, which often comes with a fixed interest rate.

"Because closed-end loans were a small percentage of our overall home equity volume, we chose to focus on our line-of-credit offering and not to extend the resources required to retool our closed-end home equity disclosures to meet the new [integrated disclosure] regulations," Wells Fargo told Bankrate.

Lenders who issue home equity loans are required to comply with the integrated disclosure rules. Home equity lines of credit, however, are not affected by the new regulations.

Bank of America and Wells Fargo say they still offer HELOC products and will include a fixed-rate option, where borrowers lock in the interest rate on either a portion of the credit line or the entire loan amount.

Wells Fargo says it will be concentrating on making improvements to its home equity line of credit product, including enhancing its HELOC products with a lower line limit and a new minimum of \$10,000 for all states (North Carolina is the exception at \$12,000).

Source: "[Time to Say 'Goodbye' to Home Equity Loans?](#)" Bankrate.com (Aug. 7, 2015) and "[TRID Pushes Wells Fargo Out of Home Equity Loans,](#)" HousingWire (Aug. 11, 2015)

