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## CONSUMER CHECKLIST

### Interest-Only, Partially Amortizing, and Negative Amortization Loans

- q How much can the loan balance increase if you make the lowest payment?
- q How soon will you be required to make fully amortizing payments and how can the payments go up?
- q How much will you owe (balloon payment) after you make all the monthly payments?
- q How much would the monthly payments be to fully amortize the loan and avoid any balloon payment?
- q Could you afford the monthly payments on a fully amortizing loan if you borrowed less money or obtained a longer term loan?
- q Where will you obtain the money to make the balloon payment?
- q Do you fully understand that you risk losing your home if you cannot pay the balloon payment?

If you refinance the loan to pay the balloon payment, you typically must pay new loan fees and closing costs. This could increase your debt. If the debt becomes too large in comparison with the amount of equity in your home, you may not be able to further refinance. Then, if you are not able to satisfy the debt, you could lose your home in foreclosure or be forced to sell it to pay off the loan.