

HOME EQUITY LOAN APPLICATION

	(301)	330-30	1-800-6	311-1320		DATI	Ē			APPLICANT ACCOUNT NO.		CO-APPLI	CANT A	CCOUN	IT NO.	
П	Home Equity Line of	Credit							 	Home Equity Line of Cre	edit (Interes	t only) \$				
	pose:	Orean	Ψ					Ap	Approximate Value:							
	•	Single	Family Home	Псо	ndomin	ium	Пто			Other						
	perty Address:	J	,	_			_									
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ОТ	HER INCOME You	need not	t list income from a	limony child	support o	r congraf	e mainter	ance ur	loce v	ou wish it considered for nurnoses	of granting this	credit				
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	EASE INDICATE: A - Ap		C - Co-Applic	ant	APPLI		CO-APP		PLE	EASE INDICATE: A - Applicar	nt C - Co-A	oplicant		ICANT	CO-APP	
1.	Have you ever filed a peti repossessed or foreclosed	tion for b			YES	NO	YES	NO	5.	Do you pay HOA/Condo Fees? Amount:			YES	NO	YES	NO
2.	Date: Is the property securing the or previously listed for sale			currently					6.	Is income listed likely to be redu	ced in the next	two years?				
3.	Do you have any other lia unmatured liabilities, such	as a co	-borrower, co-signe	er,					7.	Have you ever had credit in any What Name?						
	endorser, co-maker, suret lease, contract, agreemer			ioan,					8.	Have you any suits pending, jud child support awards against you Are there any other Deeds of Tri	ı?					
4. Do you have any past due bills?								9.	Encumbrances on the property t loan?						Ī	

Be sure to list all open accounts with or without a balance. Attach separate sheet if necessary **CREDIT OBLIGATIONS** C - SPOUSE/CO-APPLICANT D - DEBTS TO BE PAID OF CHECK ONE MONTHI Y LIST ALL OBLIGATIONS INCLUDING CREDIT UNION LOANS ACCOUNT NUMBER **BALANCE PAYMENTS** С **DEMOGRAPHIC INFORMATION –** This section asks about your ethnicity, sex, and race. The purpose of collecting this information is to help ensure that all applicants are treated fairly and that the housing needs of communities and neighborhoods are being fulfilled. For residential mortgage lending, Federal law requires that we ask applicants for their demographic information (ethnicity, sex, and race) in order to monitor our compliance with equal credit opportunity, fair housing, and home mortgage disclosure laws. You are not required to provide this information, but are encouraged to do so. You may select one or more designations for "Ethnicity" and one or more designations for "Race." The law provides that we may not discriminate on the basis of this information, or on whether you choose to provide it. However, if you choose not to provide the information and you have made this application in person, Federal regulations require us to note your ethnicity, sex, and race on the basis of visual observation or surname. The law also provides that we may not discriminate on the basis of age or marital status information you provide in this application. If you do not wish to provide some or all of this information, please check below **BORROWER CO-BORROWER** Ethnicity Ethnicity ☐ Hispanic or Latino ☐ Hispanic or Latino ☐ Mexican ☐ Puerto Rican ☐ Cuban Other Hispanic or Latino – *Print origin:* Other Hispanic or Latino – *Print origin:* Examples: Argentinean, Colombian, Dominican, Nicaraguan, Salvadoran, Spaniard, and so on. Examples: Argentinean, Colombian, Dominican, Nicaraguan, Salvadoran, Spaniard, and so on. ☐ Not Hispanic or Latino ■ Not Hispanic or Latino ☐ I do not wish to furnish this information ☐ I do not wish to furnish this information ☐ American Indian or Alaska Native – ☐ American Indian or Alaska Native – Print name of enrolled or principal tribe: Print name of enrolled or principal tribe: ☐ Asian ☐ Asian ☐ Asian Indian ☐ Chinese ☐ Filipino ☐ Japanese ☐ Korean ☐ Vietnamese ☐ Asian Indian ☐ Chinese ☐ Filipino ☐ Japanese ☐ Korean ☐ Vietnamese Other Asian – Print race: Other Asian – Print race: Examples: Hmong, Laotian, Thai, Pakistani, Cambodian, and so on. Examples: Hmong, Laotian, Thai, Pakistani, Cambodian, and so on. ☐ Black or African American ☐ Black or African American ☐ Native Hawaiian or Other Pacific Islander ☐ Native Hawaiian or Other Pacific Islander 🔲 Native Hawaiian 🔲 Guamanian or Chamorro 🔲 Samoan 🗌 Native Hawaiian 🔲 Guamanian or Chamorro 🔲 Samoan ☐ Other Pacific Islander – Print race: ☐ Other Pacific Islander – Print race: Examples: Fijian, Tongan, and so on Examples: Fijian, Tongan, and so on. ☐ White □ White ☐ I do not wish to provide this information ☐ I do not wish to provide this information ☐ Female ☐ Male ☐ I do not wish to furnish this information ☐ Female ☐ Male ☐ I do not wish to furnish this information To Be Completed by Financial Institution (for application taken in person): Borrower Co-Borrower Was the ethnicity collected on the basis of visual observation or surname? ☐ NO ☐ YES ☐ NO ☐ YES Was the sex collected on the basis of visual observation or surname? \square NO \square YES \square NO \square YES ☐ NO ☐ YES Was the race collected on the basis of visual observation or surname? ☐ NO ☐ YES The Demographic Information was provided through: ☐ Face-to-Face interview (includes Electronic Media w/ Video Component) ☐ Telephone Interview ☐ Fax or Mail ☐ Email or Internet **SIGNATURES** The undersigned applies for the credit indicated in this application to be secured by a mortgage or deed of trust on the property described herein, and represents that the property will not be used for any illegal or restricted purpose and that all statements made in this application are true and are made for the purpose of obtaining the loan. The Credit Union or its agent is authorized to investigate your creditworthiness, employment history, and to obtain a credit report and to answer questions about their credit history with you. You understand that any false or misleading statements in your application may cause any loan to be in default. You agree that this application shall be the Credit Union's property whether or not this application is approved. The USA Patriot Act requires that we obtain, verify, and record information that identifies each person who opens an account. APPLICANT SIGNATURE CO-APPLICANT DATE

NMLSR ID#

501858

Mortgage Loan Officer Name

NMLSR ID#

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U. S. Postal Service Federal Credit Union

Mortgage Loan Originator Organization

HOME EQUITY EARLY DISCLOSURE IMPORTANT TERMS OF OUR HOME EQUITY LINE OF CREDIT PLAN

This disclosure contains important information about our Home Equity Line of Credit. You should read it carefully and keep a copy for your records.

AVAILABILITY OF TERMS: All of the terms described below are subject to change. If these terms change (other than the annual percentage rate) and you decide, as a result, not to enter into an agreement with us, you are entitled to a refund of any fees you paid to us or anyone else in connection with your application.

SECURITY INTEREST: We will take a security interest on your home. You could lose your home if you do not meet the obligations in your agreement with us.

POSSIBLE ACTIONS: We can terminate your line, require you to pay us the entire outstanding balance in one payment and charge you certain fees, If:

- You engage in fraud or material misrepresentation in connection with the line.
- You do not meet the repayment terms.
- Your action or inaction adversely affects the collateral or our rights in the collateral.

We can refuse to make additional extensions of credit or reduce your credit limit if:

- The value of the dwelling securing the line declines significantly below its appraised value for purposes of the line.
- We reasonably believe you will not be able to meet the repayment requirements due to a material change in your financial circumstances.
- You are in default of a material obligation in the agreement.
- Government action prevents us from imposing the annual percentage rate provided for or impairs our security interest such that the value of the interest is less than 120 percent of the credit line.
- A regulatory agency has notified us that continued advances would constitute an unsafe and unsound practice.
- The maximum annual percentage rate is reached.

MINIMUM PAYMENT REQUIREMENTS: You can obtain credit advances for 15 years. This period is called the "draw period". At our option, we may renew or extend the draw period. After the draw period ends the repayment period will begin. The length of the repayment period will depend on the balance at the time of the last advance you obtain before the draw period ends. You will be required to make monthly payments during both the draw and repayment periods. At the time you obtain a credit advance a payoff period of 180 monthly payments will be used to calculate your payment. The payoff period will always be the shorter of the payoff period for your outstanding balance or the time remaining to the final payment date. Your payment will be set to repay the balance after the advance, at the current annual percentage rate, within the payoff period. Your payment will remain the same unless you obtain another credit advance. Your payment may also change if the annual percentage rate increases. A change in the annual percentage rate can cause the balance to be repaid more quickly or more slowly. We will check your Plan every two years to determine the effect any annual percentage rate increase has had on your payment. If the annual percentage rate has increased so much that your payment is not sufficient to repay the balance within the payoff period, we will adjust your payment to repay the balance within the original payoff period. Each time the annual percentage rate increases we will check to see if the payment is sufficient to pay the interest that is due; If not, we will increase your payment by the amount necessary to repay the balance at the new annual percentage rate within the original payoff period. If, after our last review or your plan prior to the final payment date, the annual percentage rate increases so much that your payment is not sufficient to repay the balance before the final payment date you will be required to make more payments of the same amount Your payment will include any amounts past due and any amount by which you have exceeded your credit limit, and all other charges. Your payment will never be less than the smaller of \$45.00, or the full amount that you owe.

MINIMUM PAYMENT EXAMPLE: If you made only the minimum monthly payment and took no other credit advances, it would take 15 years to pay off a credit advance of \$10,000 at an **ANNUAL PERCENTAGE RATE** of 5.00%. During that period, you would make 179 monthly payments of \$79.09 followed by 1 final payment of \$75.93.

FEES AND CHARGES: You may have to pay certain fees to third parties. These fees generally total between \$0 and \$1,800. If you ask, we will give you an itemization of the fees you will have to pay to third parties. If the closing fees are paid by the Credit Union and your account is paid in full and closed within 36 months, you will be required to reimburse the credit union for all fees paid on your behalf upon closing your account.

PROPERTY INSURANCE: You must carry insurance on the property that secures this plan.

REFUNDABILITY OF FEES: If you decide not to enter into this plan within three days of receiving this disclosure and the home equity brochure, you are entitled to a refund of any fee you may have already paid.

TRANSACTION REQUIREMENTS: The minimum initial credit advance that you can receive is \$10,000.00.

TAX DEDUCTIBILITY: You should consult a tax advisor regarding the deductibility of interest and charges for the line.

VARIABLE RATE FEATURE: This plan has a variable-rate feature and the annual percentage rate (corresponding to the periodic rate), and minimum payment can change as a result. The annual percentage rate includes only interest and no other costs. The annual percentage rate is based on the value of an index. The index is the Prime Rate published in the Wall Street Journal. We will use the most recent index value available to us the month before the date of any annual percentage rate adjustment. To determine the annual percentage rate that will apply to your account, we use the value of the index plus our margin. Ask us for the current index value, margin, and annual percentage rate. After you open a credit line, rate information will be provided on periodic statements that we send you.

RATE CHANGES: The annual percentage rate can change anytime the index value changes. The Annual Percentage Rate cannot increase or decrease more than 0.5 percentage points at each adjustment. The maximum **ANNUAL PERCENTAGE RATE** that can apply during the Plan is 12.00%. However, under no circumstances will your **ANNUAL PERCENTAGE RATE** go below 3.25% at any time during the term of the Plan.

MAXIMUM RATE AND PAYMENT EXAMPLES: If you had an outstanding balance of \$10,000 the minimum monthly payment at the maximum **ANNUAL PERCENTAGE RATE** of 12.00% would be \$120.02. This annual percentage rate could be reached immediately.

HISTORICAL EXAMPLE

The following table shows how the annual percentage rate and the minimum payments for a single \$10,000 credit advance would have changed based on changes in the index over the last 15 years. The index values are from the first business day in **April** of each year. While only one payment amount per year is shown, payments would have varied slightly during the year.

The table assumes that no additional credit advances were taken, that only the minimum payment was made, and that the rate remained constant during each year. It does not necessarily indicate how the index or your payments would change in the future.

Year	Index (Percent)	Margin (1) (Percent)	ANNUAL PERCENTAGE RATE	Monthly Payment (Dollars \$)
2011	3.25	0.00	3.25	70.27
2012	3.25	0.00	3.25	70.27
2013	3.25	0.00	3.25	70.27
2014	3.25	0.00	3.25	70.27
2015	3.25	0.00	3.25	70.27
2016	3.50	0.00	3.50	71.10
2017	4.00	0.00	4.00	72.64
2018	4.75	0.00	4.50(2)	74.03
2019	5.50	0.00	5.00(2)	75.28
2020	3.25	0.00	4.50(2)	74.20
2021	3.25	0.00	4.00(2)	73.29
2022	3.50	0.00	3.50	72.57
2023	8.00	0.00	4.00(2)	73.12
2024	8.50	0.00	4.50(2)	73.49
2025	7.50	0.00	5.00(2)	73.68

- (1) This is a margin we have used recently. Your margin may be different.
- (2) This interest rate reflects a 0.500 percentage point periodic interest rate cap.

SIGNATURES							
By signing below, you acknowledge receipt of the Home Equity Early Disclosure.							
X		X					
BORROWER	DATE	BORROWER	DATE				

HOME EQUITY EARLY DISCLOSURE IMPORTANT TERMS OF OUR HOME EQUITY LINE OF CREDIT PLAN – INTEREST ONLY

This disclosure contains important information about our Home Equity Line of Credit. You should read it carefully and keep a copy for your records.

AVAILABILITY OF TERMS: All of the terms described below are subject to change. If these terms change (other than the annual percentage rate) and you decide, as a result, not to enter into an agreement with us, you are entitled to a refund of any fees you paid to us or anyone else in connection with your application.

SECURITY INTEREST: We will take a security interest on your home. You could lose your home if you do not meet the obligations in your agreement with us.

POSSIBLE ACTIONS: We can terminate your line, require you to pay us the entire outstanding balance in one payment and charge you certain fees, If:

- You engage in fraud or material misrepresentation in connection with the line.
- You do not meet the repayment terms.
- Your action or inaction adversely affects the collateral or our rights in the collateral.

We can refuse to make additional extensions of credit or reduce your credit limit if:

- The value of the dwelling securing the line declines significantly below its appraised value for purposes of the line.
- We reasonably believe you will not be able to meet the repayment requirements due to a material change in your financial circumstances.
- You are in default of a material obligation in the agreement.
- Government action prevents us from imposing the annual percentage rate provided for or impairs our security interest such that the value of the interest is less than 120 percent of the credit line.
- A regulatory agency has notified us that continued advances would constitute an unsafe and unsound practice.
- The maximum annual percentage rate is reached.

MINIMUM PAYMENT REQUIREMENTS: You can obtain credit advances for 120 months from the date of Agreement (the "draw period"). During the draw period, minimum payments will be due monthly and will be established at an amount equal to all accrued but unpaid Finance Charges due at the end of each billing cycle. Your payment will also include any portion of minimum payment(s) shown on prior statement(s) which remain unpaid and any other applicable charges.

After the draw period ends, you will no longer be able to obtain credit advances and you must repay the outstanding account balance (the "repayment period"). The length of the repayment period will depend on your outstanding account balance at the beginning of the repayment period but in no event exceed 240 months. During the repayment period, minimum payments will be due monthly and will be established on the first day of the repayment period or change in interest rate, at an amount necessary to amortize your then outstanding account balance over 240 months, rounded to the nearest dollar and subject to a minimum of \$45 or your account balance.

NEGATIVE AMORTIZATION: Under some circumstances, your payment will not cover the Finance Charges that accrue and Negative Amortization will occur. Negative Amortization will increase the amount that you owe us and reduce your equity in your home.

MINIMUM PAYMENT EXAMPLE: If you made only the minimum monthly payment and took no other credit advances, it would take 357 months to pay off a credit advance of \$10,000 at an **ANNUAL PERCENTAGE RATE** of 7.00%. During the draw period you would make 120 monthly payments of \$58.33. During the repayment period you would make 236 monthly payments of \$78.00 and 1 final payment of \$68.24.

FEES AND CHARGES: You may have to pay certain fees to third parties. These fees generally total between \$0 and \$1,800. If you ask, we will give you an itemization of the fees you will have to pay to third parties. If the closing fees are paid by the Credit Union and your account is paid in full and closed within 36 months, you will be required to reimburse the credit union for all fees paid on your behalf upon closing your account.

PROPERTY INSURANCE: You must carry insurance on the property that secures this plan.

REFUNDABILITY OF FEES: If you decide not to enter into this plan within three days of receiving this disclosure and the home equity brochure, you are entitled to a refund of any fee you may have already paid.

TRANSACTION REQUIREMENTS: The minimum initial credit advance that you can receive is \$20,000.00.

TAX DEDUCTIBILITY: You should consult a tax advisor regarding the deductibility of interest and charges for the line.

VARIABLE RATE FEATURE: This plan has a variable-rate feature and the annual percentage rate (corresponding to the periodic rate), and minimum payment can change as a result. The annual percentage rate includes only interest and no other costs. The annual percentage rate is based on the value of an index. The index is the Prime Rate published in the Wall Street Journal. We will use the most recent index value available to us the month before the date of any annual percentage rate adjustment. To determine the annual percentage rate that will apply to your account, we use the value of the index plus our margin. Ask us for the current index value, margin, and annual percentage rate. After you open a credit line, rate information will be provided on periodic statements that we send you.

RATE CHANGES: The annual percentage rate can change anytime the index value changes. The Annual Percentage Rate cannot increase or decrease more than 0.5 percentage points at each adjustment. The maximum **ANNUAL PERCENTAGE RATE** that can apply during the Plan is 18.00%. However, under no circumstances will your **ANNUAL PERCENTAGE RATE** go below 3.50% at any time during the term of the Plan.

MAXIMUM RATE AND PAYMENT EXAMPLES

If you had an outstanding balance of \$10,000 during the draw period, the minimum payment at the maximum **ANNUAL PERCENTAGE RATE** of 18.00% would be \$150.00. This Annual Percentage Rate could be reached in the 19th month of the draw period.

If you had an outstanding balance of \$10,000 during the repayment period, the minimum payment at the maximum **ANNUAL PERCENTAGE RATE** of 18.00% would be \$154.00. This Annual Percentage Rate could be reached in the 19th month of the repayment period.

HISTORICAL EXAMPLE

The following table shows how the annual percentage rate and the minimum payments for a single \$10,000 credit advance would have changed based on changes in the index over the last 15 years. The index values are from the first business day in **April** of each year. While only one payment amount per year is shown, payments would have varied slightly during the year.

The table assumes that no additional credit advances were taken, that only the minimum payment was made, and that the rate remained constant during each year. It does not necessarily indicate how the index or your payments would change in the future.

Year	Index (Percent)	Margin (1) (Percent)	ANNUAL PERCENTAGE RATE	Monthly Payment (Dollars \$)
2011	3.25	2.00	5.25	43.75
2012	3.25	2.00	5.25	43.75
2013	3.25	2.00	5.25	43.75
2014	3.25	2.00	5.25	43.75
2015	3.25	2.00	5.25	43.75
2016	3.50	2.00	5.50	45.83
2017	4.00	2.00	6.00	50.00
2018	4.75	2.00	6.50(2)	54.17
2019	5.50	2.00	7.00 ⁽²⁾	58.33
2020	3.25	2.00	6.50(2)	54.17
2021	3.25	2.00	6.00 ⁽²⁾	72.00(3)
2022	3.50	2.00	5.50	69.00 ⁽³⁾
2023	8.00	2.00	6.00(2)	71.00(3)
2024	8.50	2.00	6.50 ⁽²⁾	74.00 ⁽³⁾
2025	7.50	2.00	7.00 ⁽²⁾	77.00 ⁽³⁾

- (1) This is a margin we have used recently. Your margin may be different.
- (2) This interest rate reflects a 0.500 percentage point periodic interest rate cap.
- (3) This represents the rounding of the payment to the nearest dollar.

SIGNATURES							
By signing below, you acknowledge receipt of the Home Equity Early Disclosure.							
X		X					
BORROWER	DATE	BORROWER	DATE				

WHAT YOU SHOULD KNOW ABOUT

Home Equity Lines of Credit (HELOC)

Borrowing from the value of your home







How to use the booklet

When you and your lender discuss home equity lines of credit, often referred to as HELOCs, you receive a copy of this booklet. It helps you explore and understand your options when borrowing against the equity in your home.

You can find more information from the Consumer Financial Protection Bureau (CFPB) about home loans at cfpb.gov/mortgages. You'll also find other mortgage-related CFPB resources, facts, and tools to help you take control of your borrowing options.

About the CFPB

The CFPB is a 21st century agency that implements and enforces federal consumer financial law and ensures that markets for consumer financial products are fair, transparent, and competitive.

This pamphlet, titled What you should know about home equity lines of credit, was created to comply with federal law pursuant to 15 U.S.C. 1637a(e) and 12 CFR 1026.40(e).

How can this booklet help you?

This booklet can help you decide whether home equity line of credit is the right choice for you, and help you shop for the best available option.

A home equity line of credit (HELOC) is a loan that allows you to borrow, spend, and repay as you go, using your home as collateral.

Typically, you can borrow up to a specified percentage of your equity. Equity is the value of your home minus the amount you owe on your mortgage.

Consider a HELOC if you are confident you can keep up with the loan payments. If you fall behind or can't repay the loan on schedule, you could lose your home.

After you finish this booklet:

- You'll understand the effect of borrowing against your home
- You'll think through your borrowing and financing options, besides a HELOC
- You'll see how to shop for your best HELOC offer
- You'll see what to do if the economy or your situation changes

Compare a HELOC to other money sources

Before you decide to take out a HELOC, it might make sense to consider other options that might be available to you, like the ones below.

TIP

Renting your home out to other people may be prohibited under the terms of your line of credit.

MONEY SOURCE	HOW MUCH CAN YOU BORROW	VARIABLE OR FIXED RATE	IS YOUR HOME AT RISK?	TYPICAL ADVANTAGES	TYPICAL DISADVANTAGES
HELOC You borrow against the equity in your home	Generally a percentage of the appraised value of your home, minus the amount you owe on your mortgage	Variable. typically	Yes	Continue repaying and borrowing for several years without additional approvals or paperwork	Repayment amount varies; repayment is often required when you sell your home
SECOND MORTGAGE OR HOME EQUITY LOAN You borrow against the equity in your home	Generally a percentage of the appraised value of your home, minus the amount you owe on your mortgage	Fixed	Yes	Equal payments that pay off the entire loan	If you need more money, you need to apply for a new loan; repayment is often required when you sell your home
CASH-OUT REFINANCE You replace your existing mortgage with a bigger mortgage and take the difference in cash	Generally a percentage of the appraised value of your home; the amount of your existing loan plus the amount you want to cash out	Variable or fixed	Yes	Continue to make just one mortgage payment	Closing costs are generally higher; it may take longer to pay off your mortgage; interest rate may be higher than your current mortgage
PERSONAL LINE OF CREDIT You borrow based on your credit, without using your home as collateral	Up to your credit limit, as determined by the lender	Variable, typically	No	Continue repaying and borrowing for several years without additional approvals or paperwork	Solid credit is required; you may need to pay the entire amount due once a year; higher interest rate than a loan that uses your home as collateral

Compare a HELOC to other money sources

MONEY SOURCE	HOW MUCH CAN YOU BORROW	VARIABLE OR FIXED RATE	IS YOUR HOME AT RISK?	TYPICAL ADVANTAGES	TYPICAL DISADVANTAGES
RETIREMENT PLAN LOAN You borrow from your retirement savings in a 401(k) or similar plan through your current employer	Generally, up to 50% of your vested balance or \$50,000, whichever is less	Fixed	No	Repay through paycheck deductions; paperwork required but no credit check and no impact on your credit score	If you leave or lose your job, repay the whole amount at that time or pay taxes and penalties; spouse may need to consent
HOME EQUITY CONVERSION MORTGAGE (HECM) You must be age 62 or older, and you borrow against the equity in your home	Depends on your age, the interest rate on your loan, and the value of your home	Fixed or variable	Yes	You don't make monthly loan payments— instead, you typically repay the loan when you move out, or your survivors repay it after you die	The amount you owe grows over time; you might not have any value left in your home if you want to leave it to your heirs
CREDIT CARD You borrow money from the credit card company and repay as you go	Up to the amount of your credit limit, as determined by the credit card company	Fixed or variable	No	No minimum purchase; consumer protections in the case of fraud or lost or stolen card	Higher interest rate than a loan that uses your home as collateral
FRIENDS AND FAMILY You borrow money from someone you are close to	Agreed on by the borrower and lender	Variable, fixed or other	No	Reduced waiting time, fees, and paperwork compared to a formal loan	Forgiven loans and unreported or forgiven interest can complicate taxes, especially for large loans; can jeopardize important personal relationships if something goes wrong

How HELOCs work

PREPARE FOR UP-FRONT COSTS

Some lenders waive some or all of the up-front costs for a HELOC. Others may charge fees. For example, you might get charged:

- A fee for a property appraisal, which is a formal estimate of the value of your home
- An application fee, which might not be refunded if you are turned down
- Closing costs, including fees for attorneys, title search, mortgage preparation and filing, property and title insurance, and taxes

PULL MONEY FROM YOUR LINE OF CREDIT

Once approved for a HELOC, you can generally spend up to your credit limit whenever you want. When your line of credit is open for spending, you are in the you are in the borrowing period, also called the draw period. Typically, you use special checks or a credit card to draw on your line. Some plans require you to borrow a minimum amount each time (for example, \$300) or keep a minimum amount outstanding. Some plans require you to take an initial amount when the credit line is set up.

MAKE REPAYMENTS DURING THE "DRAW PERIOD"

Some plans set a minimum monthly payment that includes a portion of the principal (the amount you borrow) plus accrued interest. The portion of your payment that goes toward principal typically does not repay the principal by the end of the term. Other plans may allow payment of the interest only, during the draw period, which means that you pay nothing toward the principal.

If your plan has a variable interest rate, your monthly payments may change even if you don't draw more money.

ENTER THE "REPAYMENT PERIOD"

Whatever your payment arrangements during the draw period—whether you pay some, a little, or none of the principal amount of the loan—when the draw period ends you enter a repayment period. Your lender may set a schedule so that you repay the full amount, often over ten or 15 years.

Or, you may have to pay the entire balance owed, all at once, which might be a large amount called a balloon payment. You must be prepared to make this balloon payment by refinancing it with the lender, getting a loan from another lender, or some other means. If you are unable to pay the balloon payment in full, you could lose your home.

RENEW OR CLOSE OUT THE LINE OF CREDIT

At the end of the repayment period, your lender might encourage you to leave the line of credit open. This way you don't have to go through the cost and expense of a new loan, if you expect to borrow again. Be sure you understand if annual maintenance fees or other fees apply, even if you are not actively using the credit line.

TIP

If you sell your home, you are generally required to pay off your HELOC in full immediately. If you are likely to sell your home in the near future, consider whether or not to pay the up-front costs of setting up a line of credit.

GET THREE HELOC ESTIMATES Shopping around lets you compare costs and features, so you can feel confident you're making the best choice for your situation.	OFFER A	OFFER B	OFFER C
Initiating the HELOC			
Credit limit \$			
First transaction \$			
Minimum transaction \$			
Minimum balance \$			
Fixed annual percentage rate			
Variable annual percentage rate			
» Index used and current value			
» Amount of margin			
» Frequency of rate adjustments			
» Amount/length of discount rate (if any)			
» Interest rate cap and floor			
Length of plan			
» Draw period			
» Repayment period			
Initial fees			
» Appraisal fee \$			
» Application fee \$			

	GET THREE HELOC ESTIMATES Shopping around lets you compare costs and features, so you can feel confident you're making the best choice for your situation.	OFFER A	OFFER B	OFFER C
»	Up-front charges, including points	\$		
»	Early termination fee	\$		
»	Closing costs			
Duri	ng the draw period			
»	Interest and principal payments	\$		
»	Interest-only payments?	\$		
»	Fully amortizing payments	\$		
»	Annual fee (if applicable)	\$		
»	Transaction fee (if applicable)	\$		
»	Inactivity fee	\$		
»	Prepayment and other penalty fees	\$		
Duri	ng the repayment period			
»	Penalty for overpayments?			
»	Fully amortizing payment amount?			
»	Balloon repayment of full balance owed?			
»	Renewal available?			
»	Refinancing of balance by lender?			
»	Conversion to fixed-term loan?			

How variable interest rates work

Home equity lines of credit typically involve variable rather than fixed interest rates.

A variable interest rate generally has two parts: the index and the margin.

An index is a measure of interest rates generally that reflects trends in the overall economy Different lenders use different indexes in their loans. Common indexes include the U.S. prime rate and the Constant Maturity Treasury (CMT) rate. Talk with your lender to find out more about the index they use.

The margin is an extra percentage that the lender adds to the index.

Lenders sometimes offer a temporarily discounted interest rate for home equity lines—an introductory or teaser rate that is unusually low for a short period, such as six months.

Rights and responsibilities

Lenders are required to disclose the terms and costs of their home equity lines of credit. They need to tell you:

- Annual percentage rate (APR)
- Information about variable rates
- Payment terms
- Requirements on transactions, such as minimum draw amounts and number of draws allowed per year

- Annual fees
- Miscellaneous charges

You usually get these disclosures when you receive a loan application, and you get additional disclosures before the line of credit is opened. In general, the lender cannot charge a nonrefundable fee as part of your application until three days after you have received the disclosures.

If the lender changes the terms before the loan is made, you can decide not to go forward with it, and the lender must return all fees. There is one exception: the variable interest rate might change, and in that case if you decide not to go ahead with the loan, your fees are not refunded.

Lenders must give you a list of HUD-approved housing counselors in your area. You can talk to counselor about how HELOCs work and get free or low-cost help with budgeting and money management.

Right to cancel (also called right to rescind)

If you change your mind for any reason, under federal law, you can cancel the credit line in the first three days. Notify the lender in writing within the first three days after the account was opened. The lender must then cancel the loan and return the fees you paid, including application and appraisal fees.

TIP

Some HELOCs let you convert some of your balance to a fixed interest rate. The fixed interest rate is typically higher than the variable rate, but it means more predictable payments.

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If something changes during the course of the loan

HELOCs generally permit the lender to freeze or reduce your credit line if the value of your home falls or if they see a change for the worse in your financial situation. If this happens, you can:

- Talk with your lender. Find out the reason for the freeze or reduction. You might need to check your credit reports for errors that might have caused a downgrade in your credit. Or, you might need to talk with your lender about a new appraisal on your home and make sure the lender agrees to accept a new appraisal as valid.
- Shop for another line of credit. If another lender offers you a line of credit, you may be able to use that to pay off your original line of credit. Application fees and other fees may apply for the new loan.

WELL DONE!

For most people, a home is their most valuable asset. A HELOC can help you make the most of this asset, when you understand the ins and outs and know what to expect.

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In this booklet:

□ ASK YOURSELF

Have I considered other sources of money and loans, besides a HELOC?

Have I shopped around for HELOC features and fees?

Am I comfortable with the worst-case scenario, where I could lose my home?

ONLINE TOOLS

CFPB website cfpb.gov

Answers to common questions cfpb.gov/askcfpb

Tools and resources for home buyers cfpb.gov/owning-a-home

Talk to a HUD-approved housing counselor cfpb.gov/find-a-housing-counselor

Submit a complaint cfpb.gov/complaint