



The Best Place to Bank and Borrow

Dear Customer,

Re: HELOC Loan Application

Thank you for the opportunity to help with your real estate needs. These documents need to be completed and returned to the real estate department.

- Uniform Residential Loan Application
- Home Equity Application Disclosure
- Appraisal Notice
- Insurance Disclosure for Credit Application
- Email Information Disclosure
- Home Equity Lines of Credit Booklet

To expedite the approval process, you may wish to include the following documents, however they are not required at this time, until you decide to proceed with the proposed loan:

- 2 years of your personal tax returns with W-2's
- 1 month of your pay stubs per borrower

If you have any questions or concerns regarding this matter please contact your GNBANK Real Estate Lender.

Sincerely,



The Best Place to Bank and Borrow

**Customer Name:** \_\_\_\_\_

**Date Application Received:** \_\_\_\_\_

**Officer Initials** \_\_\_\_\_



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# HOME EQUITY CONSUMER LOAN APPLICATION

## IMPORTANT INFORMATION ABOUT PROCEDURES FOR OPENING A NEW ACCOUNT

To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account.

What this means for you: When you open an account, we will ask for your name, address, date of birth, and other information that will allow us to identify you. We may also ask to see your driver's license or other identifying documents.

TO: Name/Address of Lender	What type of account are you applying for? <i>(Please check appropriate box):</i> <input type="checkbox"/> INDIVIDUAL (Own income or assets) <span style="float: right;"><input type="checkbox"/> COSIGNER</span> <input type="checkbox"/> INDIVIDUAL (Own income or assets plus income or assets from other sources) <input type="checkbox"/> JOINT <i>(please initial)</i> _____ Are you interested in Credit Life/Disability Insurance that is offered by Lender if this loan is approved? <i>(Please check appropriate box)</i> <input type="checkbox"/> YES <input type="checkbox"/> NO
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<b>LOAN ORIGATION COMPANY NAME:</b>	<b>LOAN ORIGATION COMPANY IDENTIFIER:</b>
<b>LOAN ORIGINATOR NAME:</b>	<b>LOAN ORIGINATOR LICENSE NUMBER:</b>

LOAN TERMS			
Loan Amount	Interest Rate	Loan Type	<input type="checkbox"/> HELOC <input type="checkbox"/> Closed End <input type="checkbox"/> Fixed Rate <input type="checkbox"/> Variable Rate (type): _____ <input type="checkbox"/> Other _____
Term	Payment	Purpose	

COLLATERAL INFORMATION			
Property Address	Year Built	Purchase Date	Present Value
Title Holder	Title Holder Address		
Insurance Carrier	Insurance Carrier Address		
Current Mortgage Holder	Current Mortgage Holder Address		Current Mortgage Holder Phone
Monthly Mortgage Payment	Home Purchase Price	Balance Owing	Mortgage Loan Account Number
Additional Collateral Description			

APPLICANT/COSIGNER INFORMATION					
Name (Last)	(First)	(MI)	(Suffix)	Taxpayer ID Number (SSN/TIN)	Date of Birth
Street Address			Driver's License/ID Number	State	Home Phone Number
City	State	ZIP Code	County	How Long There	No. of Dependents / Age of Dependents
Previous Address <i>(if less than 2 years at current address)</i>					
Employer		Employer Address		Employer Phone Number	
Position		How Long	<input type="checkbox"/> Gross <input type="checkbox"/> Net <input type="checkbox"/> Weekly <input type="checkbox"/> Monthly \$	Average Monthly Overtime Pay \$	
Previous Employer		Previous Employer Address		Position	How Long
Nearest Relative Not Living with You				Relationship	
Relative's Address		City	State	ZIP Code	Relative's Phone Number
Immigration Status <input type="checkbox"/> U.S. Citizen <input type="checkbox"/> Perm. Resident of U.S. <input type="checkbox"/> Other:					
Marital Status <input type="checkbox"/> Married <input type="checkbox"/> Separated <input type="checkbox"/> Unmarried (including single, divorced, and widowed)					
Alimony, Child Support, Separate Maintenance Payments: You are not required to disclose income from alimony, child support, or separate maintenance payments. However, if you are relying on income from alimony, child support, or separate maintenance payments as a basis for repayment of this obligation, please complete the information below.					
Payment Received Pursuant to: <input type="checkbox"/> Court Order <input type="checkbox"/> Written Agreement <input type="checkbox"/> Oral Understanding					
Alimony per Month \$		Child Support per Month \$		Separate Maintenance Payment per Month \$	

CO-APPLICANT INFORMATION					
Name (Last)	(First)	(MI)	(Suffix)	Taxpayer ID Number (SSN/TIN)	Date of Birth
Street Address			Driver's License/ID Number	State	Home Phone Number
City	State	ZIP Code	County	How Long There	No. of Dependents / Age of Dependents
Previous Address <i>(if less than 2 years at current address)</i>					
Employer		Employer Address		Employer Phone Number	
Position		How Long	<input type="checkbox"/> Gross <input type="checkbox"/> Net <input type="checkbox"/> Weekly <input type="checkbox"/> Monthly \$	Average Monthly Overtime Pay \$	
Previous Employer		Previous Employer Address		Position	How Long
Nearest Relative Not Living with You				Relationship	
Relative's Address		City	State	ZIP Code	Relative's Phone Number
Immigration Status <input type="checkbox"/> U.S. Citizen <input type="checkbox"/> Perm. Resident of U.S. <input type="checkbox"/> Other:					
Marital Status <input type="checkbox"/> Married <input type="checkbox"/> Separated <input type="checkbox"/> Unmarried (including single, divorced, and widowed)					
Alimony, Child Support, Separate Maintenance Payments: You are not required to disclose income from alimony, child support, or separate maintenance payments. However, if you are relying on income from alimony, child support, or separate maintenance payments as a basis for repayment of this obligation, please complete the information below.					
Payment Received Pursuant to: <input type="checkbox"/> Court Order <input type="checkbox"/> Written Agreement <input type="checkbox"/> Oral Understanding					
Alimony per Month \$		Child Support per Month \$		Separate Maintenance Payment per Month \$	

ADDITIONAL INFORMATION			
<b>Other Income:</b> Applicant	• Amount \$	• Source	
<b>Other Income:</b> Co-Applicant	• Amount \$	• Source	
<b>If you, a joint applicant, or other party answers "yes" to any of the following questions, please explain in the space provided.</b>			
Are you a guarantor or co-maker of any leases, contracts, or debts?	Applicant: <input type="checkbox"/> Yes <input type="checkbox"/> No	Joint Applicant/Other Party: <input type="checkbox"/> Yes <input type="checkbox"/> No	
Are there any suits or judgments pending against you?	Applicant: <input type="checkbox"/> Yes <input type="checkbox"/> No	Joint Applicant/Other Party: <input type="checkbox"/> Yes <input type="checkbox"/> No	
Have you been declared bankrupt in the last 10 years?	Applicant: <input type="checkbox"/> Yes <input type="checkbox"/> No	Joint Applicant/Other Party: <input type="checkbox"/> Yes <input type="checkbox"/> No	

**CURRENT ASSETS**

Please attach additional sheet(s) if more space is required for the Current Assets section.

DESCRIPTION OF ASSETS	OWNER NAME(S)	SUBJECT TO LIEN: YES/NO	VALUE
Total Assets from Addendum			
<b>TOTAL ASSETS</b>			

**OUTSTANDING DEBTS**

The following are all of the loans or debts you presently owe, including charge accounts, installment contracts, credit cards, rents, mortgages, alimony, child support, and separate maintenance payments you are obligated to make. **Please attach additional sheet(s) if more space is required for the Outstanding Debts section.**

Use the first column (Applicant Code) to indicate whether the debt is the responsibility of the Applicant (A), Co-Applicant (C), or Joint Applicants (J).

APPLICANT CODE	NAME OF CREDITOR	ACCOUNT NUMBER	ORIGINAL AMOUNT	CURRENT BALANCE	MONTHLY PAYMENTS	Check box if to be paid from proceeds
<input type="checkbox"/>						<input type="checkbox"/>
<input type="checkbox"/>						<input type="checkbox"/>
<input type="checkbox"/>						<input type="checkbox"/>
<input type="checkbox"/>						<input type="checkbox"/>
<input type="checkbox"/>						<input type="checkbox"/>
<input type="checkbox"/>						<input type="checkbox"/>
<input type="checkbox"/>						<input type="checkbox"/>
	Total Debts from Addendum					
	<b>TOTAL DEBTS</b>					

(If joint application, read singular pronouns in the plural.) I warrant the truth of the information contained in this application and that all statements made in this application are made for the purpose of obtaining the loan applied for. I warrant that the financial obligations I disclosed in this application and in support of this application are complete and that I have no other outstanding financial obligations of any kind, including any guarantor or cosigner liability. Lender, its agents, successors, and assigns, will rely on the information contained in this application, and I have a continuing obligation to amend and supplement the information provided in this application if any of the material facts I represented should change before closing. If I have left any spaces in this application blank, Lender, its agents, successors, and assigns, may assume the information requested is adverse. I authorize Lender, its agents, successors, assigns, and employees, to investigate and verify all information I provided to Lender, its agents, successors, and assigns. I understand that it is my sole and exclusive responsibility to determine all the tax effects of the loan and acknowledge that Lender, its agents, successors, and assigns, have not provided any tax advice to me. Lender, its agents, successors, and assigns, can give information about my loan to credit reporting agencies and others who may properly receive that information. If Lender approves this application and Lender, its agents, successors, and assigns, are required to report the amount of interest paid on the loan to the Internal Revenue Service, I understand that Lender, its agents, successors, and assigns, will report using the Social Security Number (tax identification number) shown above. I understand that if the Social Security Number is incorrect, that I may be subject to Internal Revenue Service penalties. I understand Lender, its agents, successors, and assigns, will keep this application whether or not my credit request is approved.

**Certification:** I certify that the information provided in this application is true and correct as of the date set forth opposite my signature on this application and acknowledge my understanding that any intentional or negligent misrepresentations of the information contained in this application may result in civil liability and/or criminal penalties including, but not limited to, fine or imprisonment or both under the provisions of Title 18, United States Code, Section 1001, et seq., and liability for monetary damages to the Lender, its agents, successors, assigns, insurers, and any other person who may suffer any loss due to reliance upon any misrepresentation I made in this application or in any other manner.

Signature of Applicant or Cosigner	Date	Signature of Co-Applicant	Date
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**CREDITOR USE ONLY**

**Interest:**  Fixed Simple     Variable Simple    If Variable Interest Rate:  Floor Rate \_\_\_\_\_ %     Ceiling Rate \_\_\_\_\_ %  
 Interest Adjustments \_\_\_\_\_     Index \_\_\_\_\_

**Payments:**  Monthly     Quarterly     Other, describe ▶    First Payment Due: \_\_\_\_\_

**Billing:**  Coupon Book     Billing Statement     Payroll Deduction     Charge Account No.     DDA     SAV

**Insurance:**  Single Life Credit     Joint Life Credit     Disability

	APPLICANT	CO-APPLICANT	TOTAL	
Base Income	\$ _____	\$ _____	\$ _____	All Monthly Payments \$ _____
Other Income	\$ _____	\$ _____	\$ _____	Total Obligations ÷ Income _____ %

**Loan Approval (Indicate Conditions of Loan, If Any)**

This application was taken by:  Face-to-Face Interview     Mail     Telephone     Internet

Date Application Received	Received By	Amount Requested
---------------------------	-------------	------------------

Date Application Completed	Approved By	Amount Approved
----------------------------	-------------	-----------------

Rescindable? <input type="checkbox"/> Yes <input type="checkbox"/> No	RESPA Applicable? <input type="checkbox"/> Yes <input type="checkbox"/> No	Funding Date	Initial Advance
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- Principal Reason(s) for Adverse Action Concerning Credit**
- |  |   |   |
|--|---|---|
| <input type="checkbox"/> No Credit File  | <input type="checkbox"/> Unacceptable Type of Credit References             | <input type="checkbox"/> Unable to Verify Credit References   |
| <input type="checkbox"/> Insufficient Number of Credit References Provided           | <input type="checkbox"/> Poor Credit Performance With Us                    | <input type="checkbox"/> Unable to Verify Employment  |
| <input type="checkbox"/> Limited Credit Experience                                   | <input type="checkbox"/> Temporary or Irregular Employment                  | <input type="checkbox"/> Unable to Verify Income  |
| <input type="checkbox"/> Collection Action or Judgment                               | <input type="checkbox"/> Insufficient Length of Employment                  | <input type="checkbox"/> Unable to Verify Residence   |
| <input type="checkbox"/> Garnishment or Attachment                                   | <input type="checkbox"/> Insufficient Income for Amount of Credit Requested | <input type="checkbox"/> Value or Type of Collateral Not Sufficient                                       |
| <input type="checkbox"/> Foreclosure or Repossession                                 | <input type="checkbox"/> Excessive Obligations in Relation to Income        | <input type="checkbox"/> Unacceptable Appraisal   |
| <input type="checkbox"/> Delinquent Credit Obligations (past or present with others) | <input type="checkbox"/> Temporary Residence                                | <input type="checkbox"/> Unacceptable Leasehold Estate  |
| <input type="checkbox"/> Bankruptcy  | <input type="checkbox"/> Insufficient Length of Residence                   | <input type="checkbox"/> We Do Not Grant Credit to Any Applicant on the Terms and Conditions You Request. |
| <input type="checkbox"/> Number of Recent Inquiries on Credit Bureau Report          |   |   |
| <input type="checkbox"/> Other - Specify: _____                                      |   |   |

**Customer Identification Program (CIP) Record Information (Describe Additional Data Collected Pursuant to Institution's CIP)**

**Applicant/Cosigner:**  
 Applicant/Cosigner Information Collected and Verified in Accordance With CIP (initial) \_\_\_\_\_

**Co-Applicant:**  
 Co-Applicant Information Collected and Verified in Accordance With CIP (initial) \_\_\_\_\_

**HOME EQUITY LINE OF CREDIT  
EARLY DISCLOSURE  
Home Equity Line of Credit Agreement**



NMLS Company Identifier: 454713

In this disclosure the words "you" and "your" mean the recipient of this disclosure, and the words "we," "us" and "our" mean GNBank, N.A., the Lender listed above. "e" means an estimate.

**IMPORTANT TERMS OF OUR HOME EQUITY LINE OF CREDIT**

**RETENTION OF INFORMATION.** This disclosure contains important information about our home equity line of credit, Home Equity Line of Credit ("Account"). 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 in your home (collateral). You could lose your home if you do not meet the obligations in your Agreement with us.

**POSSIBLE ACTIONS.** We can terminate your Account and require you to pay us the entire outstanding balance in one payment if: you engage in fraud or material misrepresentation in connection with the Account; or you do not meet the repayment terms; and/or 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 Account declines significantly below its appraised value for purposes of the Account; or we reasonably believe you will not be able to meet the repayment requirements due to a material change in your financial circumstances; or you are in default of a material obligation in the Agreement; or 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; or a regulatory agency has notified us that continued advances would constitute an unsafe and unsound practice; and/or the maximum Annual Percentage Rate is reached. The initial Agreement permits us to make certain changes to the terms of the Agreement at specified times or upon the occurrence of specified events.

**MINIMUM PAYMENT REQUIREMENTS.** You can obtain advances of credit for 84 months (the "Draw Period"). During the Draw Period, payments will be due monthly. Your minimum periodic payment will be equal to the greater of 2.000% of the outstanding balance of your Account as of the closing date of each billing statement or \$25.00, unless your unpaid balance is less than the latter amount, in which case your minimum payment will be that amount.

**BALLOON PAYMENT.** After the Draw Period ends, you will no longer be able to obtain credit advances. Paying only your minimum payment may repay less than the outstanding balance at the end of the Draw Period. You will be required to pay the entire unpaid balance that you owe and any outstanding fees or charges at the end of the Draw Period in a single balloon payment.

**MINIMUM-PAYMENT EXAMPLE.** If you made only the minimum monthly payments and took no other credit advances, it would take 7 years to pay off a credit advance of \$10,000.00 at an **ANNUAL PERCENTAGE RATE** of 8.500%. During the Draw Period, you would make 84 monthly payments varying between \$201.42 and \$67.65. This would be followed by one final payment of \$3,338.50.

**FEES AND CHARGES.** To open and maintain your Account, you must carry insurance on the property securing your Account. You must also pay certain fees to third parties. These fees generally total between \$257.18 and \$909.38. The following are the third party fees you must pay:

Appraisal	\$550.00 e
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If you tell us you have decided not to enter into the Account within three business days of receiving this Disclosure and the Consumer Financial Protection Bureau brochure "What You Should Know About Home Equity Lines of Credit" in person, or within six business days after the day we mail them to you, as the case might be, any fees or charges you might have already paid will be refunded.

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

**VARIABLE RATE FEATURE.** The Account has a variable rate feature. The Annual Percentage Rate (corresponding to the periodic rate) and the minimum payment can change as a result. This Annual Percentage Rate does not include costs other than interest. The Annual Percentage Rate is based on the value of an index. The index is the Wall Street Journal published Prime Rate ("Index") (if published in a range, the highest number in the range will be used) and is published in the Wall Street Journal. To determine the Annual Percentage Rate that will apply to your Account, we add a margin to the value of the index. Ask us for the current index value, margin and Annual Percentage Rate. After you open an Account, rate information will be provided on periodic statements that we furnish to you.

**RATE CHANGES.** The Annual Percentage Rate can change annually. The maximum **ANNUAL PERCENTAGE RATE** that can apply is 18.000%. Apart from this rate cap, there is no limit on the amount by which the rate can change in any one-year period, except that under no circumstances will the rate ever be less than 4.500% per annum.

**MAXIMUM-RATE AND PAYMENT EXAMPLE.** If the **ANNUAL PERCENTAGE RATE** equaled the 18.000% maximum and you had an outstanding balance of \$10,000.00, your minimum payment would be \$203.00. The maximum Annual Percentage Rate could be reached the first time your Annual Percentage Rate changes, unless your initial rate is equal to the maximum, in which case it would be reached immediately.

**HISTORICAL EXAMPLE.** The following table shows how the Annual Percentage Rate and the minimum payments for a single \$10,000.00 credit advance would have changed based on changes in the index over the past 15 years. The index values are from the rate in effect as of the first business day of January of each year. While only one payment amount per year is shown, payments would have varied during each year of the Draw Period. The table assumes that no additional credit advances were taken, that only the minimum payments were made, and that the rate remained constant during each year. It does not necessarily indicate how the index or your payments will change in the future.

Year	Index	Margin*	ANNUAL PERCENTAGE RATE	Minimum Periodic Payment
2010	3.250%	0.000%	4.500% ***	\$200.75
2011	3.250%	0.000%	4.500% ***	\$164.77
2012	3.250%	0.000%	4.500% ***	\$135.24
2013	3.250%	0.000%	4.500% ***	\$111.00
2014	3.250%	0.000%	4.500% ***	\$91.10
2015	3.250%	0.000%	4.500% ***	\$74.78
2016	3.500%	0.000%	4.500% ***	\$61.37 <sup>1/</sup> <sub>-</sub>
2017	3.750%	0.000%	4.500% ***	\$0.00
2018	4.500%	0.000%	4.500%	\$0.00
2019	5.500%	0.000%	5.500%	\$0.00
2020	4.750%	0.000%	4.750%	\$0.00
2021	3.250%	0.000%	4.500% ***	\$0.00
2022	3.250%	0.000%	4.500% ***	\$0.00
2023	7.500%	0.000%	7.500%	\$0.00
2024	8.500%	0.000%	8.500%	\$0.00

\* This is a margin we have used recently.

\*\*\* This rate reflects the lifetime floor.

<sup>1/</sup><sub>-</sub> Draw period ends on the 84th month.

# APPRAISAL NOTICE

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Dear Applicant:

We may order an appraisal to determine the property's value and charge you for this appraisal. We will promptly give you a copy of any appraisal, even if your loan does not close.

You can pay for an additional appraisal for your own use at your own cost.

By signing below, you acknowledge receipt of this Appraisal Notice.

Applicant: \_\_\_\_\_

Date: \_\_\_\_\_

Applicant: \_\_\_\_\_

Date: \_\_\_\_\_

**CREDIT APPLICATION DISCLOSURE FOR INSURANCE / ANNUITY PRODUCTS**

Name(s) / Address(es) of Applicant(s) ("you", "your")	Name / Address of Lender (Creditor) ("we", "us", "our")
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**IMPORTANT NOTICE  
DO NOT SIGN THIS FORM UNTIL YOU READ IT AND UNDERSTAND ITS CONTENTS**

**CREDIT APPLICATION DISCLOSURE**

Insurance and/or annuity products may be solicited, offered or sold in connection with the type of credit for which you have applied. We cannot, as a condition for you to obtain the credit:

- require you to purchase an insurance product or annuity from us, or from any of our affiliates; or
- make you agree not to obtain, or prohibit you from obtaining, an insurance product or annuity from another company that is not affiliated with us.

**INSURANCE / ANNUITY PRODUCTS DISCLOSURE**

Any insurance product or annuity that you may agree to purchase from us or our affiliates:

- is not a deposit or other obligation of ours, or our affiliates; and
- is not guaranteed by us or our affiliates; and
- is not insured by the Federal Deposit Insurance Corporation (FDIC) or any other agency of the United States (with the exception of any federal crop insurance or federal flood insurance); and
- is not insured by us or our affiliates; and
- if the insurance product or annuity that you agree to purchase from us or our affiliates involves investment risk, this risk includes the possible loss of value and principal.

**ACKNOWLEDGMENT.** The undersigned Applicant(s) hereby acknowledge(s) receipt of this Credit Application Disclosure For Insurance / Annuity Products on the date indicated below, and has read and understood its contents.

_____	_____	_____	_____
Applicant's Signature	Date	Applicant's Signature	Date
_____	_____	_____	_____
Applicant's Signature	Date	Applicant's Signature	Date

**LENDER CERTIFICATION.** The undersigned hereby certifies that on behalf of Lender he/she orally provided the above disclosures to the Applicant(s) on the date noted below.

By \_\_\_\_\_ Date: \_\_\_\_\_

Its \_\_\_\_\_



The Best Place to Bank and Borrow

## Email Information Disclosure

Borrower's name \_\_\_\_\_

Co-Borrower's name \_\_\_\_\_

Please provide an email addresses to which we can send your loan documents.

Borrower's email \_\_\_\_\_

Co Borrower's email \_\_\_\_\_

GNB will email you an Electronic Consent Agreement to the email address listed above. It is your responsibility to reply to this email in order to receive your documents electronically. If you do not reply all documents will be mailed through the US Postal Service and your loan closing could be delayed.

For Internal Use Only

Date ECA emailed \_\_\_\_\_

Date approval received (borrower) \_\_\_\_\_

Date approval received (co borrower) \_\_\_\_\_



# What you should know about home equity lines of credit

This booklet was initially prepared by the Board of Governors of the Federal Reserve System. The Consumer Financial Protection Bureau (CFPB) has made technical updates to the booklet to reflect new mortgage rules under Title XIV of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). A larger update of this booklet is planned in the future to reflect other changes under the Dodd-Frank Act and to align with other CFPB resources and tools for consumers as part of the CFPB's broader mission to educate consumers. Consumers are encouraged to visit the CFPB's website at [consumerfinance.gov/owning-a-home](http://consumerfinance.gov/owning-a-home) to access interactive tools and resources for mortgage shoppers, which are expected to be available beginning in 2014.

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# 1. Introduction

If you are in the market for credit, a home equity plan is one of several options that might be right for you. Before making a decision, however, you should weigh carefully the costs of a home equity line against the benefits. Shop for the credit terms that best meet your borrowing needs without posing undue financial risks. And remember, failure to repay the amounts you’ve borrowed, plus interest, could mean the loss of your home.

## 1.1 Home equity plan checklist

Ask your lender to help you fill out this worksheet.

Basic features for comparison	Plan A	Plan B
Fixed annual percentage rate	%	%
Variable annual percentage rate	%	%
<input type="checkbox"/> Index used and current value	%	%
<input type="checkbox"/> Amount of margin		
<input type="checkbox"/> Frequency of rate adjustments		
<input type="checkbox"/> Amount/length of discount (if any)		
<input type="checkbox"/> Interest rate cap and floor		
Length of plan		
Draw period		

Basic features for comparison (continued)	Plan A	Plan B
Repayment period		
<b>Initial fees</b>		
Appraisal fee		
Application fee		
Up-front charges, including points		
Closing costs		
<b>Repayment terms</b>		
<b>During the draw period</b>		
Interest and principal payments		
Interest-only payments		
Fully amortizing payments		
<b>When the draw period ends</b>		
Balloon payment?		
Renewal available?		
Refinancing of balance by lender?		

## 2. What is a home equity line of credit?

A home equity line of credit is a form of revolving credit in which your home serves as collateral. Because a home often is a consumer's most valuable asset, many homeowners use home equity credit lines only for major items, such as education, home improvements, or medical bills, and choose not to use them for day-to-day expenses.

With a home equity line, you will be approved for a specific amount of credit. Many lenders set the credit limit on a home equity line by taking a percentage (say, 75 percent) of the home's appraised value and subtracting from that the balance owed on the existing mortgage. For example:

Appraised value of home	\$100,000
Percentage	x 75%
Percentage of appraised value	= \$75,000
Less balance owed on mortgage	– \$40,000
<b>Potential line of credit</b>	<b>\$35,000</b>

In determining your actual credit limit, the lender will also consider your ability to repay the loan (principal and interest) by looking at your income, debts, and other financial obligations as well as your credit history.

Many home equity plans set a fixed period during which you can borrow money, such as 10 years. At the end of this “draw period,” you may be allowed to renew the credit line. If your plan

does not allow renewals, you will not be able to borrow additional money once the period has ended. Some plans may call for payment in full of any outstanding balance at the end of the period. Others may allow repayment over a fixed period (the “repayment period”), for example, 10 years.

Once approved for a home equity line of credit, you will most likely be able to borrow up to your credit limit whenever you want. Typically, you will use special checks to draw on your line. Under some plans, borrowers can use a credit card or other means to draw on the line.

There may be other limitations on how you use the line. Some plans may require you to borrow a minimum amount each time you draw on the line (for example, \$300) or keep a minimum amount outstanding. Some plans may also require that you take an initial advance when the line is set up.

## 2.1 What should you look for when shopping for a plan?

If you decide to apply for a home equity line of credit, look for the plan that best meets your particular needs. Read the credit agreement carefully, and examine the terms and conditions of various plans, including the annual percentage rate (APR) and the costs of establishing the plan. Remember, though, that the APR for a home equity line is based on the interest rate alone and will not reflect closing costs and other fees and charges, so you’ll need to compare these costs, as well as the APRs, among lenders.

### 2.1.1 Variable interest rates

Home equity lines of credit typically involve variable rather than fixed interest rates. The variable rate must be based on a publicly available index (such as the prime rate published in some major daily newspapers or a U.S. Treasury bill rate). In such cases, the interest rate you pay for the line of credit will change, mirroring changes in the value of the index. Most lenders cite the interest rate you will pay as the value of the index at a particular time, plus a “margin,” such as 2 percentage points. Because the cost of borrowing is tied directly to the value of the index, it is important to find out which index is used, how often the value of the index changes, and how high it has risen in the past. It is also important to note the amount of the margin.

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

Variable-rate plans secured by a dwelling must, by law, have a ceiling (or cap) on how much your interest rate may increase over the life of the plan. Some variable-rate plans limit how much your payment may increase and how low your interest rate may fall if the index drops.

Some lenders allow you to convert from a variable interest rate to a fixed rate during the life of the plan, or let you convert all or a portion of your line to a fixed-term installment loan.

## 2.2 Costs of establishing and maintaining a home equity line

Many of the costs of setting up a home equity line of credit are similar to those you pay when you get a mortgage. For example:

- A fee for a property appraisal to estimate the value of your home;
- An application fee, which may not be refunded if you are turned down for credit;
- Up-front charges, such as one or more “points” (one point equals 1 percent of the credit limit); and
- Closing costs, including fees for attorneys, title search, mortgage preparation and filing, property and title insurance, and taxes.

In addition, you may be subject to certain fees during the plan period, such as annual membership or maintenance fees and a transaction fee every time you draw on the credit line.

You could find yourself paying hundreds of dollars to establish the plan. And if you were to draw only a small amount against your credit line, those initial charges would substantially increase the cost of the funds borrowed. On the other hand, because the lender’s risk is lower than for other forms of credit, as your home serves as collateral, annual percentage rates for home equity lines are generally lower than rates for other types of credit. The interest you save could offset the costs of establishing and maintaining the line. Moreover, some lenders waive some or all of the closing costs.



## 2.3 How will you repay your home equity plan?

Before entering into a plan, consider how you will pay back the money you borrow. Some plans set a minimum monthly payment that includes a portion of the principal (the amount you borrow) plus accrued interest. But, unlike with typical installment loan agreements, the portion of your payment that goes toward principal may not be enough to repay the principal by the end of the term. Other plans may allow payment of only the interest during the life of the plan, which means that you pay nothing toward the principal. If you borrow \$10,000, you will owe that amount when the payment plan ends.

Regardless of the minimum required payment on your home equity line, you may choose to pay more, and many lenders offer a choice of payment options. However, some lenders may require you to pay special fees or penalties if you choose to pay more, so check with your lender. Many consumers choose to pay down the principal regularly as they do with other loans. For example, if you use your line to buy a boat, you may want to pay it off as you would a typical boat loan.

Whatever your payment arrangements during the life of the plan—whether you pay some, a little, or none of the principal amount of the loan—when the plan ends, you may have to pay the entire balance owed, all at once. You must be prepared to make this “balloon payment” by refinancing it with the lender, by obtaining a loan from another lender, or by some other means. If you are unable to make the balloon payment, you could lose your home.

If your plan has a variable interest rate, your monthly payments may change. Assume, for example, that you borrow \$10,000 under a plan that calls for interest-only payments. At a 10 percent interest rate, your monthly payments would be \$83. If the rate rises over time to 15 percent, your monthly payments will increase to \$125. Similarly, if you are making payments that cover interest plus some portion of the principal, your monthly payments may increase, unless your agreement calls for keeping payments the same throughout the plan period.

If you sell your home, you will probably be required to pay off your home equity line in full immediately. If you are likely to sell your home in the near future, consider whether it makes sense to pay the up-front costs of setting up a line of credit. Also keep in mind that renting your home may be prohibited under the terms of your agreement.

## 2.4 Line of credit vs. traditional second mortgage loans

If you are thinking about a home equity line of credit, you might also want to consider a traditional second mortgage loan. This type of loan provides you with a fixed amount of money, repayable over a fixed period. In most cases, the payment schedule calls for equal payments that pay off the entire loan within the loan period. You might consider a second mortgage instead of a home equity line if, for example, you need a set amount for a specific purpose, such as an addition to your home.

In deciding which type of loan best suits your needs, consider the costs under the two alternatives. Look at both the APR and other charges. Do not, however, simply compare the APRs, because the APRs on the two types of loans are figured differently:

- The APR for a traditional second mortgage loan takes into account the interest rate charged plus points and other finance charges.
- The APR for a home equity line of credit is based on the periodic interest rate alone. It does not include points or other charges.

### 2.4.1 Disclosures from lenders

The federal Truth in Lending Act requires lenders to disclose the important terms and costs of their home equity plans, including the APR, miscellaneous charges, the payment terms, and information about any variable-rate feature. And in general, neither the lender nor anyone else may charge a fee until after you have received this information. You usually get these disclosures when you receive an application form, and you will get additional disclosures before the plan is opened. If any term (other than a variable-rate feature) changes before the plan is opened, the lender must return all fees if you decide not to enter into the plan because of the change. Lenders are also required to provide you with a list of homeownership counseling organizations in your area.

When you open a home equity line, the transaction puts your home at risk. If the home involved is your principal dwelling, the Truth in Lending Act gives you three days from the day the account was opened to cancel the credit line. This right allows you to change your mind for any reason. You simply inform the lender in writing within the three-day period. The lender must

then cancel its security interest in your home and return all fees— including any application and appraisal fees—paid to open the account.

The Home Ownership and Equity Protection Act of 1994 (HOEPA) addresses certain unfair practices and establishes requirements for certain loans with high rates and fees, including certain additional disclosures. HOEPA now covers some HELOCs. You can find out more information by contacting the CFPB at the website address and phone number listed in the Contact information appendix, below.

## 2.5 What if the lender freezes or reduces your line of credit?

Plans generally permit lenders to freeze or reduce a credit line if the value of the home “declines significantly” or when the lender “reasonably believes” that you will be unable to make your payments due to a “material change” in your financial circumstances. If this happens, you may want to:

- **Talk with your lender.** Find out what caused the lender to freeze or reduce your credit line and what, if anything, you can do to restore it. You may be able to provide additional information to restore your line of credit, such as documentation showing that your house has retained its value or that there has not been a “material change” in your financial circumstances. You may want to get copies of your credit reports (go to the CFPB’s website at [consumerfinance.gov/askcfpb/5/can-i-review-my-credit-report.html](https://consumerfinance.gov/askcfpb/5/can-i-review-my-credit-report.html) for information about how to get free copies of your credit reports) to make sure all the information in them is correct. If your lender suggests getting a new appraisal, be sure you discuss appraisal firms in advance so that you know they will accept the new appraisal as valid.
- **Shop around for another line of credit.** If your lender does not want to restore your line of credit, shop around to see what other lenders have to offer. If another lender is willing to offer you a line of credit, you may be able to pay off your original line of credit and take out another one. Keep in mind, however, that you may need to pay some of the same application fees you paid for your original line of credit.

## APPENDIX A:

# Defined terms

This glossary provides general definitions for terms commonly used in the real estate market. They may have different legal meanings depending on the context.

### DEFINED TERM

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**ANNUAL  
MEMBERSHIP OR  
MAINTENANCE FEE**

An annual charge for access to a financial product such as a line of credit, credit card, or account. The fee is charged regardless of whether or not the product is used.

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**ANNUAL  
PERCENTAGE RATE  
(APR)**

The cost of credit, expressed as a yearly rate. For closed-end credit, such as car loans or mortgages, the APR includes the interest rate, points, broker fees, and other credit charges that the borrower is required to pay. An APR, or an equivalent rate, is not used in leasing agreements.

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**APPLICATION FEE**

Fees charged when you apply for a loan or other credit. These fees may include charges for property appraisal and a credit report.

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**BALLOON PAYMENT**

A large extra payment that may be charged at the end of a mortgage loan or lease.

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**CAP (INTEREST  
RATE)**

A limit on the amount that your interest rate can increase. Two types of interest-rate caps exist. *Periodic adjustment caps* limit the interest-rate increase from one adjustment period to the next. *Lifetime caps* limit the interest-rate increase over the life of the loan. By law, all adjustable-rate mortgages have an overall cap.

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**CLOSING OR SETTLEMENT COSTS**

Fees paid when you close (or settle) on a loan. These fees may include application fees; title examination, abstract of title, title insurance, and property survey fees; fees for preparing deeds, mortgages, and settlement documents; attorneys' fees; recording fees; estimated costs of taxes and insurance; and notary, appraisal, and credit report fees. Under the Real Estate Settlement Procedures Act, the borrower receives a good faith estimate of closing costs within three days of application. The good faith estimate lists each expected cost as an amount or a range.

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**CREDIT LIMIT**

The maximum amount that may be borrowed on a credit card or under a home equity line of credit plan.

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**EQUITY**

The difference between the fair market value of the home and the outstanding balance on your mortgage plus any outstanding home equity loans.

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**INDEX**

The economic indicator used to calculate interest-rate adjustments for adjustable-rate mortgages or other adjustable-rate loans. The index rate can increase or decrease at any time. See also Selected index rates for ARMs over an 11-year period ([consumerfinance.gov/f/201204\\_CFPB\\_ARMs-brochure.pdf](http://consumerfinance.gov/f/201204_CFPB_ARMs-brochure.pdf)) for examples of common indexes that have changed in the past.

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**INTEREST RATE**

The percentage rate used to determine the cost of borrowing money, stated usually as a percentage of the principal loan amount and as an annual rate.

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**MARGIN**

The number of percentage points the lender adds to the index rate to calculate the adjustable-rate-mortgage interest rate at each adjustment.

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**MINIMUM PAYMENT**

The lowest amount that you must pay (usually monthly) to keep your account in good standing. Under some plans, the minimum payment may cover interest only; under others, it may include both principal and interest.

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**POINTS (ALSO CALLED DISCOUNT POINTS)**

One point is equal to 1 percent of the principal amount of a mortgage loan. For example, if a mortgage is \$200,000, one point equals \$2,000. Lenders frequently charge points in both fixed-rate and adjustable-rate mortgages to cover loan origination costs or to provide additional compensation to the lender or broker. These points usually are paid at closing and may be paid by the borrower or the home seller, or may be split between them. In some cases, the money needed to pay points can be borrowed (incorporated in the loan amount), but doing so will increase the loan amount and the total costs. Discount points (also called discount fees) are points that you voluntarily choose to pay in return for a lower interest rate.

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**SECURITY INTEREST**

If stated in your credit agreement, a creditor, lessor, or assignee's legal right to your property (such as your home, stocks, or bonds) that secures payment of your obligation under the credit agreement. The property that secures payment of your obligation is referred to as "collateral."

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**TRANSACTION FEE**

Fee charged each time a withdrawal or other specified transaction is made on a line of credit, such as a balance transfer fee or a cash advance fee.

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**VARIABLE RATE**

An interest rate that changes periodically in relation to an index, such as the prime rate. Payments may increase or decrease accordingly.

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## APPENDIX B:

# More information

For more information about mortgages, including home equity lines of credit, visit [consumerfinance.gov/mortgage](http://consumerfinance.gov/mortgage). For answers to questions about mortgages and other financial topics, visit [consumerfinance.gov/askcfpb](http://consumerfinance.gov/askcfpb). You may also visit the CFPB's website at [consumerfinance.gov/owning-a-home](http://consumerfinance.gov/owning-a-home) to access interactive tools and resources for mortgage shoppers, which are expected to be available beginning in 2014.

Housing counselors can be very helpful, especially for first-time home buyers or if you're having trouble paying your mortgage. The U.S. Department of Housing and Urban Development (HUD) supports housing counseling agencies throughout the country that can provide free or low-cost advice. You can search for HUD-approved housing counseling agencies in your area on the CFPB's web site at [consumerfinance.gov/find-a-housing-counselor](http://consumerfinance.gov/find-a-housing-counselor) or by calling HUD's interactive toll-free number at 800-569-4287.

The company that collects your mortgage payments is your loan servicer. This may not be the same company as your lender. If you have concerns about how your loan is being serviced or another aspect of your mortgage, you may wish to submit a complaint to the CFPB at [consumerfinance.gov/complaint](http://consumerfinance.gov/complaint) or by calling (855) 411-CFPB (2372).

When you submit a complaint to the CFPB, the CFPB will forward your complaint to the company and work to get a response. Companies have 15 days to respond to you and the CFPB. You can review the company's response and give feedback to the CFPB.

## APPENDIX C:

# Contact information

For additional information or to submit a complaint, you can contact the CFPB or one of the other federal agencies listed below, depending on the type of institution. If you are not sure which agency to contact, you can submit a complaint to the CFPB and if the CFPB determines that another agency would be better able to assist you, the CFPB will refer your complaint to that agency and let you know.

Regulatory agency	Regulated entities	Contact information
<b>Consumer Financial Protection Bureau (CFPB)</b> P.O. Box 2900 Clinton, IA 52733	Insured depository institutions and credit unions with assets greater than \$10 billion (and their affiliates), and non-bank providers of consumer financial products and services, including mortgages, credit cards, debt collection, consumer reports, prepaid cards, private education loans, and payday lending	(855) 411-CFPB (2372) <a href="https://consumerfinance.gov">consumerfinance.gov</a> <a href="https://consumerfinance.gov/complaint">consumerfinance.gov/complaint</a>
<b>Board of Governors of the Federal Reserve System (FRB)</b> Consumer Help P.O. Box 1200 Minneapolis, MN 55480	Federally insured state-chartered bank members of the Federal Reserve System	(888) 851-1920 <a href="https://federalreserveconsumerhelp.gov">federalreserveconsumerhelp.gov</a>



Regulatory agency	Regulated entities	Contact information
<p><b>Office of the Comptroller of the Currency (OCC)</b>  Customer Assistance Group  1301 McKinney Street  Suite 3450  Houston, TX 77010</p>	<p>National banks and federally chartered savings banks/associations</p>	<p>(800) 613-6743  <a href="http://occ.treas.gov">occ.treas.gov</a>  <a href="http://helpwithmybank.gov">helpwithmybank.gov</a></p>
<p><b>Federal Deposit Insurance Corporation (FDIC)</b>  Consumer Response Center  1100 Walnut Street,  Box #11  Kansas City, MO 64106</p>	<p>Federally insured state-chartered banks that are not members of the Federal Reserve System</p>	<p>(877) ASK-FDIC or  (877) 275-3342  <a href="http://fdic.gov">fdic.gov</a>  <a href="http://fdic.gov/consumers">fdic.gov/consumers</a></p>
<p><b>Federal Housing Finance Agency (FHFA) Consumer Communications</b>  Constitution Center  400 7th Street, S.W.  Washington, DC 20024</p>	<p>Fannie Mae, Freddie Mac, and the Federal Home Loan Banks</p>	<p>Consumer Helpline  (202) 649-3811  <a href="http://fhfa.gov">fhfa.gov</a>  <a href="http://fhfa.gov/Default.aspx?Page=369">fhfa.gov/Default.aspx?Page=369</a>  <a href="mailto:ConsumerHelp@fhfa.gov">ConsumerHelp@fhfa.gov</a></p>
<p><b>National Credit Union Administration (NCUA)</b>  Consumer Assistance  1775 Duke Street  Alexandria, VA 22314</p>	<p>Federally chartered credit unions</p>	<p>(800) 755-1030  <a href="http://ncua.gov">ncua.gov</a>  <a href="http://mycreditunion.gov">mycreditunion.gov</a></p>
<p><b>Federal Trade Commission (FTC)</b>  Consumer Response Center  600 Pennsylvania Ave, N.W.  Washington, DC 20580</p>	<p>Finance companies, retail stores, auto dealers, mortgage companies and other lenders, and credit bureaus</p>	<p>(877) FTC-HELP or  (877) 382-4357  <a href="http://ftc.gov">ftc.gov</a>  <a href="http://ftc.gov/bcp">ftc.gov/bcp</a></p>

Regulatory agency	Regulated entities	Contact information
<p><b>Securities and Exchange Commission (SEC)</b>  Complaint Center  100 F Street, N.E.  Washington, DC 20549</p>	<p>Brokerage firms, mutual fund companies, and investment advisers</p>	<p>(202) 551-6551  <a href="http://sec.gov">sec.gov</a>  <a href="http://sec.gov/complaint/select.shtml">sec.gov/complaint/select.shtml</a></p>
<p><b>Farm Credit Administration Office of Congressional and Public Affairs</b>  1501 Farm Credit Drive  McLean, VA 22102</p>	<p>Agricultural lenders</p>	<p>(703) 883-4056  <a href="http://fca.gov">fca.gov</a></p>
<p><b>Small Business Administration (SBA)</b>  Consumer Affairs  409 3<sup>rd</sup> Street, S.W.  Washington, DC 20416</p>	<p>Small business lenders</p>	<p>(800) U-ASK-SBA or  (800) 827-5722  <a href="http://sba.gov">sba.gov</a></p>
<p><b>Commodity Futures Trading Commission (CFTC)</b>  1155 21<sup>st</sup> Street, N.W.  Washington, DC 20581</p>	<p>Commodity brokers, commodity trading advisers, commodity pools, and introducing brokers</p>	<p>(866) 366-2382  <a href="http://cftc.gov/ConsumerProtection/index.htm">cftc.gov/ConsumerProtection/index.htm</a></p>

Regulatory agency	Regulated entities	Contact information
<p><b>U.S. Department of Justice (DOJ)</b>            Civil Rights Division            950 Pennsylvania Ave, N.W.            Housing and Civil Enforcement Section            Washington DC 20530</p>	<p>Fair lending and housing issues</p>	<p>(202) 514-4713            TTY-(202) 305-1882            FAX-(202) 514-1116            To report an incident of housing discrimination:            1-800-896-7743  <a href="mailto:fairhousing@usdoj.gov">fairhousing@usdoj.gov</a></p>
<p><b>Department of Housing and Urban Development (HUD)</b> Office of Fair Housing/Equal Opportunity            451 7<sup>th</sup> Street, S.W.            Washington, DC 20410</p>	<p>Fair lending and housing issues</p>	<p>(800) 669-9777  <a href="http://hud.gov/complaints">hud.gov/complaints</a></p>