



**HOME EQUITY INFORMATION** - List any liens against your house. A lien is a legal claim filed against property as security for payment of a debt.

FIRST MORTGAGE HELD BY	PRESENT BALANCE	MONTHLY PAYMENT \$
------------------------	-----------------	-----------------------

OTHER LIENS (DESCRIBE)

IS THE PROPERTY DESCRIBED IN THIS SECTION YOUR PRINCIPAL DWELLING?  Yes  No      IS ANYONE OTHER THAN YOUR SPOUSE A PART OWNER OF YOUR HOME?  Yes  No

**CREDIT INFORMATION** Be sure to list all open accounts with or without a balance.  
A - APPLICANT   C - SPOUSE/CO-APPLICANT   D - DEBTS TO BE PAID OFF IF LOAN IS GRANTED

PLEASE CHECK			LIST ALL OBLIGATIONS INCLUDING CREDIT UNION LOANS (Attach separate sheet if necessary)	ACCOUNT NUMBER	BALANCE	MONTHLY PAYMENTS
A	C	D				

**FINANCIAL INFORMATION** PLEASE ANSWER THE FOLLOWING QUESTIONS AND IF A "YES" ANSWER IS GIVEN, EXPLAIN ON A SEPARATE SHEET.

1. HAVE YOU EVER FILED FOR BANKRUPTCY OR HAD A DEBT ADJUSTMENT PLAN CONFIRMED UNDER CHAPTER 13? 2. DO YOU HAVE ANY OUTSTANDING JUDGMENTS? 3. HAVE YOU HAD PROPERTY FORECLOSED UPON OR GIVEN A DEED IN LIEU OF FORECLOSURE IN THE LAST 7 YEARS? 4. ARE YOU A PARTY IN A LAWSUIT? 5. ARE YOU OTHER THAN A U.S. CITIZEN OR PERMANENT RESIDENT ALIEN? 6. IS YOUR INCOME LIKELY TO DECLINE IN THE NEXT TWO YEARS? 7. ARE YOU A CO-MAKER, CO-SIGNER OR GUARANTOR ON ANY LOAN NOT LISTED ABOVE?  FOR WHOM (Name of other obligated on loan): _____ TO WHOM (Name of Creditor): _____	<table border="1" style="width:100%; border-collapse: collapse;"> <tr> <th colspan="2">Applicant</th> <th colspan="2">Co-Applicant</th> </tr> <tr> <th>YES</th> <th>NO</th> <th>YES</th> <th>NO</th> </tr> <tr><td> </td><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td><td> </td></tr> <tr><td> </td><td> </td><td> </td><td> </td></tr> </table>	Applicant		Co-Applicant		YES	NO	YES	NO																								
Applicant		Co-Applicant																															
YES	NO	YES	NO																														

**INFORMATION FOR GOVERNMENT MONITORING PURPOSES**

The following information is requested by the Federal Government for certain types of loans related to a dwelling in order to monitor the lender's compliance with equal credit opportunity, fair housing and home mortgage disclosure laws. You are not required to furnish this information, but are encouraged to do so. The law provides that a lender may discriminate neither on the basis of this information, nor on whether you choose to furnish it. If you furnish the information, please provide both ethnicity and race. For race, you may check more than one designation. If you do not furnish ethnicity, race, or sex, under Federal regulations, this lender is required to note the information on the basis of visual observation or surname. If you do not wish to furnish the information, please check the box below. (Lender must review the above material to assure that the disclosures satisfy all requirements to which the lender is subject under applicable state law for the particular type of loan applied for.)

<b>BORROWER:</b> <input type="checkbox"/> I do not wish to furnish this information <b>Ethnicity:</b> <input type="checkbox"/> Hispanic or Latino <input type="checkbox"/> NOT Hispanic or Latino <b>Race:</b> <input type="checkbox"/> American Indian or Alaskan Native <input type="checkbox"/> Asian <input type="checkbox"/> Black or African American <input type="checkbox"/> Native Hawaiian or Other Pacific Islander <input type="checkbox"/> White <b>Sex:</b> <input type="checkbox"/> Female <input type="checkbox"/> Male	<b>CO-BORROWER:</b> <input type="checkbox"/> I do not wish to furnish this information <b>Ethnicity:</b> <input type="checkbox"/> Hispanic or Latino <input type="checkbox"/> NOT Hispanic or Latino <b>Race:</b> <input type="checkbox"/> American Indian or Alaskan Native <input type="checkbox"/> Asian <input type="checkbox"/> Black or African American <input type="checkbox"/> Native Hawaiian or Other Pacific Islander <input type="checkbox"/> White <b>Sex:</b> <input type="checkbox"/> Female <input type="checkbox"/> Male
---	--

**To be Completed by Loan Originator:**  
 This application was taken by:  Face-to-Face interview    Mail    Telephone    Internet

Loan Originator's Signature <b>X</b>	Date
Loan Originator's Name	Loan Originator Identifier
Loan Origination Company's Name	Loan Origination Company Identifier
	Loan Origination Company's Address

**SIGNATURES – Are you currently on active military duty?**  Yes  No

You promise that the information stated in this Home Equity Loan Application is true and correct to the best of your knowledge. You authorize the Credit Union to obtain credit reports when updating its records in connection with any review, increase, extension or renewal of credit, and in connection with any collection activities involving credit extended to you. The Credit Union may also obtain credit reports to update, increase, extend, renew or collection of the credit received by you. 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. You will notify the Credit Union in writing immediately of any changes in your name, address or employment. You understand that it is a federal crime to willfully and deliberately provide incomplete or incorrect information to obtain credit. If you request, you will be provided the name and address of any credit bureau from which we received a credit report. You understand and agree that if your application is approved, that any collateral described in any security agreement, pledge, advance disbursement voucher or similar document that may be executed, now or in the future, in connection with such credit will secure the Credit Union for repayment of funds advanced to you, subject to the terms and conditions of such security agreement, pledge, advance disbursement voucher or similar document.

**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.

**OHIO RESIDENTS:** The Ohio laws against discrimination requires that all creditors make credit equally available to all credit worthy customers and that credit reporting agencies maintain separate credit histories on each individual upon request. The Ohio civil rights commission administers compliance with this law.

**WISCONSIN RESIDENTS:** For any provision of any marital property agreement, court decree under WI ST § 766.70, or statement under WI ST § 766.59 to adversely affect the rights of the Credit Union, the Credit Union must be provided with a copy of the Agreement, decree or statement or have actual knowledge of its terms before any credit is approved or account opened. Sign if you are NOT applying for this loan account with your spouse. This credit request, if approved, will be incurred in the interest of the marriage or family of the undersigned.

Wisconsin Resident Signature \_\_\_\_\_ Date \_\_\_\_\_

<b>X</b> Applicant/Co-Signer _____ Date _____	<b>X</b> Spouse/Co-Applicant _____ Date _____
---	---

<b>Credit Union Use Only</b> Loan Approved <input type="checkbox"/> Yes <input type="checkbox"/> No Loan Officer Signature <b>X</b>	Loan Approved <input type="checkbox"/> Yes <input type="checkbox"/> No Credit Committee Signature <b>X</b>	Mortgage Loan Originator: NMLSR ID #:	Mortgage Loan Officer Name: NMLSR ID #:
--	--	--	--



WORKMEN'S CIRCLE CREDIT UNION  
 527 STEPHENSON AVE., SUITE 1  
 SAVANNAH, GA 31405-5922  
 Tel: (912) 356-9225  
 Fax: (912) 356-9226

**NOTICE TO APPLICANT OF RIGHT  
 TO RECEIVE COPY OF APPRAISAL REPORT**

Applicant (Name and Address):	Date
	Application Number

Property Address:

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.

**ACKNOWLEDGEMENT OF RECEIPT (optional)**

You hereby acknowledge that on the date indicated below you have received this Notice to Receive a copy of Appraisal.

<b>X</b>	_____	<b>X</b>	_____
Applicant Signature	Date	Applicant Signature	Date

<b>X</b>	_____	<b>X</b>	_____
Applicant Signature	Date	Applicant Signature	Date



WORKMEN'S CIRCLE CREDIT UNION  
527 STEPHENSON AVE., SUITE 1  
SAVANNAH, GA 31405-5922  
Tel: (912) 356-9225  
Fax: (912) 356-9226

## 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 advances for 60 months (draw period). During the draw period, payments will be due monthly. Your payment will be based upon a payoff period of 180 months. The payoff period will always be the shorter of the payoff period for good outstanding balance or the time remaining to the maturity 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 be rounded up to the nearest dollar. Your payment will remain the same unless you obtain another advance. Your payment may also change if the Annual Percentage Rate increases. Each time the Annual Percentage Rate increases, we will review the effect the increase has had on your plan. 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. 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 \$50.00 or the full amount you owe.

**Minimum Payment Example:** If you made only the minimum monthly payment and took no other credit advances, it would take 20 years to pay off a credit advance of \$10,000 at an **ANNUAL PERCENTAGE RATE** of 8.50%. You would make 60 monthly payments of \$98.47 during the draw period. You would make 180 monthly payments of \$78.21 during the repayment period.

**Late Charge:** If your payment is more than 15 days late, we may charge you 5% of the payment due.

**Fees and Charges:** You may have to pay certain fees to third parties. These fees generally total between \$500.00 to \$1,300.00. If you ask, we will give you an itemization of the fees you will have to pay to third parties. If closing costs are waived during a promotional period and you do not take a minimum advance of \$2,500.00 within 12 months from the plans opening date, you must reimburse the credit union for the closings costs paid for you.

**Property Insurance:** You must carry insurance on the property that secures this Plan with the Credit Union listed as loss payee. If you are in a flood zone, you must carry flood insurance.

**Minimum Line of Credit:** The Minimum Home Equity Line of Credit is \$10,000.00.

**Tax Deductibility:** You should consult a tax advisor regarding the deductibility of interest and charges for the line.

**Variable Rate:** We will determine the periodic rate and the corresponding annual percentage rate as follows. We start with an independent index, (the "Index"), which is the *Wall Street Journal* Prime Rate. When a range of rates has been published, the highest rate will be used. We will use the most recent index value available to us as of 30 days before the date of any annual percentage rate adjustment. Annual adjustment will occur on July 1 based on the index as of June 1. To determine the periodic rate that will apply to your account, we add a margin to the value of the index. If the rate is not already rounded, we then round up to the next .125%. Then we divide this sum by the number of days in a year (365). To obtain the annual percentage rate, we will multiply the periodic rate by the number of days in a year (365). This result is the annual percentage rate.

**Rate Changes:** The Annual Percentage Rate can change on the first day of July each year. The rate cannot increase or decrease by more than 2.0 percentage points in any one year period. The maximum **ANNUAL PERCENTAGE RATE** that can apply is 18.00% or the maximum permitted by law, whichever is less. There is no limit on how low your Annual Percentage Rate can go during the terms of this 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 \$161.00. This Annual Percentage Rate could be reached in year number 9 of the draw period.

**Historical Examples:** 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 January 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 your index, margin, APR or monthly payment would change in the future.

Year	Index (Percent)	Margin (1) (Percent)	ANNUAL PERCENTAGE RATE	Payment Period	Monthly Payment (Dollars)
2010	3.25	0.00	3.25 (2)	Draw	70.27
2011	3.25	0.00	3.25	Draw	70.27
2012	3.25	0.00	3.25	Draw	70.27
2013	3.25	0.00	3.25	Draw	70.27
2014	3.25	0.00	3.25	Repayment	70.27
2015	3.25	0.00	3.25	Repayment	50.35
2016	3.50	0.00	3.50	Repayment	51.33
2017	3.75	0.00	3.75	Repayment	52.13
2018	4.50	0.00	4.50	Repayment	54.34
2019	5.50	0.00	5.50	Repayment	57.13
2020	4.75	0.00	4.75	Repayment	55.20
2021	3.25	0.00	3.25	Repayment	51.78
2022	3.25	0.00	3.25	Repayment	51.78
2023	7.50	0.00	5.25 (2)	Repayment	55.38
2024	8.50	0.00	7.25 (2)	Repayment	58.61

(1) This is a margin we have used recently. Your margin may be different.

(2) This rate reflects a 2.00 percentage points period interest rate cap.



WORKMEN'S CIRCLE CREDIT UNION  
 527 STEPHENSON AVE., SUITE 1  
 SAVANNAH, GA 31405-5922  
 Tel: (912) 356-9225  
 Fax: (912) 356-9226

## What You Should Know About Home Equity Lines of Credit

### Table of contents

**Table of contents** ..... 1

1. **Introduction** ..... 1

    1.1 Home equity plan checklist ..... 1

2. **What is a home equity line of credit?** ..... 1

    2.1 What should you look for when shopping for a plan? ..... 1

    2.2 Costs of establishing and maintaining a home equity line ..... 2

    2.3 How will you repay your home equity plan? ..... 2

    2.4 Line of credit vs. traditional second mortgage loans ..... 2

    2.5 What if the lender freezes or reduces your line of credit? ..... 2

**Appendix A:** ..... 2

    Defined terms ..... 2

**Appendix B:** ..... 3

    More information ..... 3

**Appendix C:** ..... 4

    Contact information ..... 4

### 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	%	%
❖ Index used and current value	%	%
❖ Amount of margin		
❖ Frequency of rate adjustments		
❖ Amount/length of discount (if any)		
❖ Interest rate cap and floor		
Length of plan		
Draw period		
Repayment period		
Initial fees		
Appraisal fees		
Application fee		
Up-front charges, including points		
Closing cost		
Repayment items		
During the draw period		
Interest and principal payments		
Interest-only payments		
Fully amortizing payments		
When the draw period ends		
Balloon payment?		
Renewal available?		
Refinancing of balance by lender?		

<b>Appraised Value of home</b>	<b>\$100,000</b>
<b>Percentage</b>	<b>x 75%</b>
<b>Percentage of appraised value</b>	<b>= \$75,000</b>
<b>Less balance owed on mortgage</b>	<b>- \$40,000</b>
<b>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.

### 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:



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 Lines 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 CFPB's website at [consumerfinance.gov/askcfpb/5/can-i-review-my-credit-report.html](http://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 TERMS

##### 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.

##### 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.

#### **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.

#### **BALLOON PAYMENT**

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

#### **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.

#### **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.

#### **CREDIT LIMIT**

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

#### **EQUITY**

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

#### **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.

#### **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.

#### **MARGIN**

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

#### **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.

#### **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.

#### **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."

#### **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.

#### **VARIABLE RATE**

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

### **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.

<b>Regulatory agency</b>	<b>Regulated entities</b>	<b>Contact information</b>
<b>Consumer Financial Protection Bureau (CFPB)</b> P.O. Box 4503 Iowa City, IA 52244	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) consumerfinance.gov consumerfinance.gov/complaint
<b>Board of Governors of the Federal Reserve System (FRB) Consumer Help</b> P.O. Box 1200 Minneapolis, MN 55480	Federally insured state- chartered bank members of the Federal Reserve System	(888) 851-1920 federalreserveconsumerhelp.gov
<b>Office of the Comptroller of the Currency (OCC)</b> Customer Assistance Group 1301 McKinney Street, Suite 3450 Houston, TX 77010	National banks and federally chartered savings banks/associations	(800) 613-6743 occ.treas.gov helpwithmybank.gov
<b>Federal Deposit Insurance Corporation (FDIC)</b> Consumer Response Center 1100 Walnut Street, Box #11 Kansas City, MO 64106	Federally insured state-chartered banks that are not members of the Federal Reserve System	(877) ASK-FDIC or (877) 275-3342 fdic.gov fdic.gov/consumers
<b>Federal Housing Finance Agency (FHFA)</b> Consumer Communications Constitution Center 400 7th Street, S.W. Washington, DC 20024	Fannie Mae, Freddie Mac, and the Federal Home Loan Banks	Consumer Helpline (202) 649-3811 fhfa.gov fhfa.gov/Default.aspx?Page=369 ConsumerHelp@fhfa.gov
<b>National Credit Union Administration (NCUA)</b> Consumer Assistance 1775 Duke Street Alexandria, VA 22314	Federally chartered credit unions	(800) 755-1030 ncua.gov mycreditunion.gov
<b>Federal Trade Commission (FTC)</b> Consumer Response Center 600 Pennsylvania Avenue, N.W. Washington, DC 20580	Finance companies, retail stores, auto dealers, mortgage companies and other lenders, and credit bureaus	(877) FTC-HELP or (877) 382-4357 ftc.gov ftc.gov/bcp
<b>Securities and Exchange Commission (SEC)</b> Complaint Center 100 F Street, N.E. Washington, DC 20549	Brokerage firms, mutual fund companies, and investment advisers	(202) 551-6551 sec.gov sec.gov/complaint/select.shtml
<b>Farm Credit Administration Office of Congressional and Public Affairs</b> 1501 Farm Credit Drive McLean, VA 22102	Agricultural lenders	(703) 883-4056 fca.gov
<b>Small Business Administration (SBA)</b> Consumer Affairs 409 3rd Street, S.W. Washington, DC 20416	Small business lenders	(800) U-ASK-SBA or (800) 827-5722 sba.gov
<b>Commodity Futures Trading Commission (CFTC)</b> 1155 21st Street, N.W. Washington, DC 20581	Commodity brokers, commodity trading advisers, commodity pols, and introducing brokers	(866) 366-2382 cftc.gov/consumer-protection
<b>U.S. Department of Justice (DOJ)</b> Civil Rights Division 950 Pennsylvania Avenue, N.W. Housing and Civil Enforcement Section Washington, DC 20530	Fair lending and fair housing issues	(202) 514-4713 TTY-(202) 305-1882 FAX-(202) 514-1116 To report an incident of housing discrimination: 1-800-896-7743 fairhousing@usdoj.gov
<b>Department of Housing and Urban Development (HUD)</b> Office of Fair Housing/Equal Opportunity 451 7th Street, S.W. Washington, DC 20410	Fair lending and fair housing issues	(800) 669-9777 hud.gov/complaints