

Home Equity Line of Credit Application Instructions

Attached is our Home Equity Line of Credit Application Package for you to review. Please read through, sign and date all disclosures. Please fill out the application in its entirety and sign and date the application. The requested documentation can all be returned to my attention either by email (brian.theoret@pb.com) or via fax (203-351-7440) or via mail at the following address:

Pitney Bowes Employees Federal Credit Union
Attn: Brian Theoret
27 Waterview Drive (27-1A)
Shelton, CT 06484

Thank you and let me know if you have any questions or need assistance filling out the paperwork.

Brian Theoret

Associate Lending Officer
NMLS ID: 459478

Pitney Bowes Employees Federal Credit Union

27 Waterview Drive (27-1A)
Shelton, CT 06484

 203.922.4402 |  brian.theoret@pb.com

INSTRUCTIONS FOR MORTGAGE LOANS (HELOC - No closing costs)

Complete the entire enclosed application form, beginning with the Borrower Information Section.

Be sure that each borrower signs the application.

If you are relying on another person's income to qualify for this loan, they must also complete and sign the application.

You must provide the Credit Union with the following documentation at the Time of application:

- The **completed application**
- A copy of the **deed to the property**
- A copy of the **promissory note for your current mortgage**
- Signed **Connecticut Attorney Selection**
- Signed **Authorization For Release of Payoff Information**
- Signed **Features Page**
- Signed **Electronic Disclosure Agreement**
- Copy of your **current bank statement(s)** showing all assets
- Copy of your **current mortgage statement(s)** showing the balance(s) of all 1st Mortgage(s) / Home Equity Loan(s) / HELOC(s)
- **Income Tax Returns for two most recent years** including Schedule C for Self Employment and Schedule E for Real Estate Income
- Copy of your **W2s or Paystubs** for current employment
- A copy of the **insurance coverage for the property**, including flood insurance if applicable

Annual premium for homeowners (hazard) insurance	\$
Annual premium for flood insurance (if applicable)	\$
Monthly Condo Association Fee (if applicable)	\$
Email Address:	

Once the documents have been received and your application has been reviewed, you will be contacted as to what the next step will be.

If you have any questions concerning this matter, please call the Credit Union Loan Department at (203) 356-5964.

Nationwide Mortgage Licensing System and Registry:

Brian P. Theoret – NMLS ID: 459478
Linda Alexander – NMLS ID: 459479
Dennis L. Cottrell – NMLS ID: 525985

CONNECTICUT ATTORNEY SELECTION

You have the right to select an attorney to represent you in this transaction. If you engage an attorney of your choice, it will be at your own expense. As required by Connecticut General Statutes 49-6d, this is also to advise you that:

1. You may have legal interests that differ from those of Pitney Bowes Employees Federal Credit Union, The creditor in this transaction;
2. Pitney Bowes Employees Federal Credit Union does not require that you be represented by their attorney;
3. You may waive your right to be represented by an attorney; and
4. You may direct any complaints concerning violations of this section to the Connecticut Department of Banking.

I/We hereby acknowledge receipt of this disclosure.

Date

Applicant Signature

Date

Applicant Signature

AUTHORIZATION FOR RELEASE OF PAYOFF INFORMATION

TO: _____

FROM: _____

LOAN NUMBER: _____

This is to authorize you to release any and all information regarding the above loan that may be required, including payoff requests, to any representative of the law firm checked below:

☒ Fiore and Fiore, P.C. – 2 Lovatt Street
Norwalk, CT 06851

☐ Law Firm of Francis J Browne, Esquire, P.C. – 1700 Bedford Street
Suite 204
Stamford, CT 06901

Date

Applicant Signature

Date

Applicant Signature

Pitney Bowes Employees Federal Credit Union
IMPORTANT TERMS and DISCLOSURE STATEMENT AND FEATURES
OF THE HOME EQUITY LINE OF CREDIT.

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 the 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 that you have paid to us or anyone else in connection with your application.

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

POSSIBLE ACTIONS: Under certain circumstances, we can (1) terminate your line and require you to pay us the entire outstanding balance in one payment, (2) refuse to make additional extensions of credit, and (3) reduce your credit limit. If you ask, we will give you more specific information concerning when we can take these actions.

MINIMUM PAYMENT REQUIREMENTS: You can obtain advances of credit for 9 years (the “draw period”). During the draw period, payments will be due monthly. Your minimum monthly payment will be equal to the finance charges that have accrued on the outstanding balance.

After the draw period ends, you will no longer be able to obtain advances and must pay the outstanding balance over 11 years (the “repayment period”). During the repayment period, payments will be due monthly. Your minimum monthly payment will be an amount required to repay the loan in full by the final payment date based on the prevailing interest rate.

MINIMUM PAYMENT EXAMPLE: If you made only the minimum monthly payments and took no other credit advances; it would take 20 years to pay off a credit advance of \$10,000.00 at an ANNUAL PERCENTAGE RATE of 12.0%. During that period, you would make 108 monthly payments of \$100.00 followed by 132 monthly payments of \$136.78.

FEES AND CHARGES: See “CLOSING COSTS” below.

MINIMUM DRAW REQUIREMENT: The minimum credit advance you can receive is \$500.00.

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

VARIABLE RATE INFORMATION: The line has a variable rate feature, and the annual percentage rate (corresponding to the periodic rate) and the minimum payment can change as a result.

The annual percentage rate includes only interest and not other costs.

The annual percentage rate is based on the value of an index. The index is the prime rate as published in the Wall Street Journal. To determine the annual percentage rate that will apply to your line, we add or deduct a margin to the value of the index.

Ask us for the current index value, margin and annual percentage rate. After you open a credit line, rate information will be provided on periodic statements that we send you.

RATE CHANGES: The annual percentage rate can change whenever the index changes. The maximum ANNUAL PERCENTAGE RATE that can apply is a 16.0% “ceiling”. The minimum ANNUAL PERCENTAGE RATE that can apply is a 3.0% “floor”.

MAXIMUM/MINIMUM RATE AND PAYMENT EXAMPLES: If you had an outstanding balance of \$10,000.00 during the draw period, the Minimum monthly payment at the maximum ANNUAL PERCENTAGE RATE OF 16.0% would be \$133.33. If you had an outstanding balance of \$10,000.00 at the beginning of the repayment period with a remaining term of 132 months, the minimum monthly payment at the maximum ANNUAL PERCENTAGE RATE of 16.0% would be \$159.31. If you had an outstanding balance of \$10,000.00 during the draw period, the Minimum monthly payment at the minimum ANNUAL PERCENTAGE RATE OF 3.00% would be \$25.48. If you had an outstanding balance of \$10,000.00 at the beginning of the repayment period with a remaining term of 132 months, the minimum monthly payment at the minimum ANNUAL PERCENTAGE RATE of 3.00% would be \$89.04.

HISTORICAL EXAMPLE: The following table shows how the annual percentage rate and the minimum monthly payments for a single \$10,000 credit advance would have changed based on changes in the index over the past 15 years. The index values are from July of each year. While only one payment per year is shown, payments would have varied during the year.

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

MONTHLY AVERAGES OF THE PRIME RATE FOR JULY OF EACH YEAR

YEAR	INDEX PERCENT (%)	MARGIN* PERCENT (%)	ANNUAL PERCENTAGE RATE (%)	MINIMUM MONTHLY PAYMENT FIRST 9 YRS (\$)	MINIMUM MONTHLY PAYMENT LAST 11 YRS (\$)
2008	5.00	.00	5.00	41.67	
2009	3.25	.00	3.25	27.08	
2010	3.25	.00	3.25	27.08	
2011	3.25	.00	3.25	27.08	
2012	3.25	.00	3.25	27.08	
2013	3.25	.00	3.25	27.08	90.21
2014	3.25	.00	3.25	27.08	90.21
2015	3.25	.00	3.25	27.08	90.21
2016	3.50	.00	3.50	29.73	91.38
2017	4.25	.00	4.25	36.10	94.97
2018	5.00	.00	5.00	42.47	98.64
2019	5.25	.00	5.25	44.59	99.89
2020	3.25	.00	3.25	27.60	90.21
2021	3.25	.00	3.25	27.60	90.21
2022	5.50	.00	5.50	46.71	101.14
2023	8.50	.00	8.50	72.19	116.86

* This is a margin we have used recently.

**DISCLOSURE STATEMENT AND ADDITIONAL TERMS
OF THE HOME EQUITY LINE OF CREDIT**

LATE CHARGES: Loan payments will be due on the 15th of each month. There will be a 15 day grace period after which a late charge equal to 5.0% (2% in the state of New York per state restrictions) of the payment amount with a \$10.00 minimum will be assessed.

CLOSING COSTS: The Credit Union will assume all normal closing costs for mortgage loans on a property located in Connecticut. For all properties located in Westchester and Putnam Counties, New York, the Credit Union will assume the first \$600.00 of the normal closing costs with the member responsible for the remaining balance. You may pay certain fees to third parties if the HELOC is paid off and closed within 2 years. On a HELOC in the amount of \$100,000 the closing costs are approximately \$1,000 to \$1,665 in Connecticut and can be up to approximately \$2,500 on New York properties.

The member will reimburse the Credit Union for **100%** of the closing costs paid by the Credit Union if the line of credit is paid off and closed within the 1st (first) year. If the member pays off and closes the line of credit within the 2nd (second) year, the member will reimburse the Credit Union for **50%** of the closing costs paid for by the Credit Union. In New York, the member will reimburse the Credit Union for the first \$600.00 paid for by the Credit Union if the line of credit is paid off and closed within the 1st(first) year, and \$300.00 if paid off and closed within the 2nd (second) year.

APPRAISAL: 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. If a member's application is declined by the Credit Union or is withdrawn by the member after the appraisal has been performed, the member will reimburse the Credit Union for the cost incurred for the appraisal. Once the member reimburses the Credit Union for the fee for the appraisal, the member will be given a copy of the appraisal.

I/We have read this IMPORTANT TERMS and DISCLOSURE STATEMENT, and understand its contents, as evidenced by my/our signatures below **AND** I/We understand that this acknowledgment is required as part of the Home Equity Line of Credit.

Date

Applicant Signature

Date

Applicant Signature

Please make photo copies for your records

Electronic Disclosure Agreement
Pitney Bowes Employees Federal Credit Union
AGREEMENT TO RECEIVE DISCLOSURES ELECTRONICALLY

This Agreement to Receive Communications Electronically ("Agreement") addresses the circumstances under which you agree to receive, in electronic form, information that we are required by law to provide to you in writing in connection with your real estate loan application with Pitney Bowes Employees Federal Credit Union (PBEFCU).

For the purposes of this Agreement, the words "you" and "your" mean the primary accountholder and all joint accountholders. The words "we," "us," and "our" means Pitney Bowes Employees Federal Credit Union. "Account(s)" mean the account(s) you have with us. "Communications" means any account agreements or amendments thereto, authorization, disclosure, notice, or other information related to the product, service or Account(s), including but not limited to information that we are required by law to provide to you in writing.

We are required to obtain your consent before delivering Communications electronically. You understand that your consent also permits us to electronically deliver to you, initially and on an ongoing basis, all future Communications related to your real estate loan application with us. Please read this Agreement carefully before giving consent.

Consent to Receive Disclosures Electronically and Scope of Consent. By signing below, you are affirmatively consenting to receive Communications related to your real estate loan application with us in electronic format, and that we may discontinue sending paper Communications to you, unless and until you withdraw your consent as described below. Your consent to receive electronic Communications and transactions includes, but is not limited to:

- All legal and regulatory disclosures and Communications associated with the Account. As an example, we may make available electronically disclosures required by the Truth-in-Lending Act
- Notices or disclosures about a change in the terms of your Account or associated fees or charges
- Privacy policies and notices
- Other Communications we may include from time to time as part of the electronic delivery of disclosures and notices program

Method of Providing Communications to You in Electronic Form: All Communications that we provide to you in electronic form will be provided via Email; (2) by requesting you download a Portable Document File (PDF) containing the Communication.

How to Withdraw Consent: You may withdraw your consent to receive Communications in electronic form at any time by providing a written notice to us at PBEFCU, 27 Waterview Drive (27-1A), Shelton, CT 06484. At our option, we may treat your provision of an invalid email address, or the subsequent malfunction of a previously valid address, as a withdrawal of your consent to receive electronic Communications. We will not impose any fee to process the withdrawal of your consent to receive electronic Communications. Any withdrawal of your consent to receive electronic Communications will be effective only after we have a reasonable period of time to process your withdrawal and will mean that you will no longer receive electronic Communications.

Valid Email Address: You agree to provide us with and maintain a valid email address. You may update your email address from the Options menu in Home Banking at any time. We are not liable for any third-party incurred fees, other legal liability, or any other issues or liabilities arising from disclosures or notifications sent to an invalid or inactive email address that you have provided.

Hardware and Software Requirements: In order to access and view electronic Communications, you must have an Internet-capable computer with the ability to view files in PDF format as supported by version 6 or greater of [Adobe Acrobat Reader](http://get.adobe.com/reader) (<http://get.adobe.com/reader>). In addition, you must have a printer capable of printing any Communications that are made available on our website and/or

e-mailed to you. Alternatively, you must have and maintain the ability to electronically save and visually display on your computer screen any Communications that are made available to you and/or e-mailed to you.

By maintaining access to internet service providers and electronic e-mail you may incur charges from internet service providers and local telephone companies. PBEFCU will not be responsible for the costs associated with electronic access; these costs are your responsibility. You understand that we do not make any warranties on equipment, hardware, software, internet service provider, or any part of them, expressed or implied, including, without limitation, any warranties of merchantability or fitness of any particular purpose.

Your Right to Receive Paper Communications: We will not send you a paper copy of any Communication from us, unless you request it or we otherwise deem it appropriate to do so. You can obtain a paper copy of an electronic Communication by printing it yourself or by contacting us by telephone at (800) 356-5965, or by writing to us at PBEFCU, 27 Waterview Drive (27-1A), Shelton, CT 06484 and identifying the specific record requested, provided that such request is made within a reasonable time after we first provided the electronic Communication to you. A fee to request paper copies of Communication may be imposed as set forth in our Schedule of Fees and Charges.

Communications in Writing: All Communications in either electronic or paper format from us to you will be considered "in writing." You should print or download for your records a copy of this Agreement and any other Communication that is important to you.

Federal Law: You acknowledge and agree that your consent to electronic Communications is being provided in connection with a transaction affecting interstate commerce that is subject to the federal Electronic Signatures in Global and National Commerce Act (ESIGN), "Act," and that you and we both intend that the Act apply to the fullest extent possible to validate our ability to conduct business with you by electronic means.

Termination/Changes: We reserve the right, in our sole discretion, to discontinue the provision of your electronic Communications, or to terminate or change the terms and conditions on which we provide electronic Communications. We will provide you with notice of any such termination or change as required by law.

Agreement: By signing below you affirmatively consent to receive, and acknowledge that you can receive, access and retain electronically Communications. You acknowledge that you have read and agree to the terms in this "AGREEMENT TO RECEIVE DISCLOSURES ELECTRONICALLY" and that your computer system meets the minimum system requirements described in this Agreement.

Date

Applicant Signature

Date

Applicant Signature

Please make photo copies for your records

HOME EQUITY LOAN APPLICATION

PLEASE TYPE OR PRINT

IMPORTANT APPLICANT INFORMATION: Federal law requires financial institutions to obtain sufficient information to verify your identity. You may be asked several questions and to provide one or more forms of identification to fulfill this requirement. In some instances, we may use outside sources to confirm the information. The information You Provide is Protected by our privacy policy and federal law.

TYPE OF ACCOUNT REQUESTED

Check one to indicate the type of account you are requesting. Note: Married applicants may apply for separate accounts.

- ☐ Joint Account ☐ Individual Account - Relying solely on my income and assets.
☐ Individual Account - Relying on my income and assets and as well as income or assets of another.

TERMS REQUESTED

Amount \$	Interest Rate %	Type of Loan <input type="checkbox"/> Fixed Rate <input type="checkbox"/> ARM (type): <input checked="" type="checkbox"/> Other: HELOC
No. of Months 240	Payment \$ /	Purpose <input type="checkbox"/> Home Improvement <input type="checkbox"/> Pay Debit: <input checked="" type="checkbox"/> Other:

COLLATERAL PROPERTY

Address	Year Built	Date Purchased	Present Value	Balance Owning
Title in Name(s) of:	Address of Title Holder		Name and Address of Insurance Carrier	
Mortgage Holder Name	Address	Phone No.	Acct No.	

INDIVIDUAL APPLICANT INFORMATION

Name	Birthdate	Social Security No.	
Address (Street, City, State, Zip	County	Driver's License No.	
Home Phone	Business Phone	No. of Dependents	Ages of Dependents
Employer / Self Employed	Position	Years Employed	Employer's Address
Wages, Salary, Commissions Gross \$ / month	Net \$ / month	How Often Paid	
Previous Employer	Position	Years Employed	Previous Employer's Address
Name and Address of Applicant's Nearest Relative			Relationship
Alimony, child support, or separate maintenance income need not be revealed if you do not wish to have it considered. Alimony, child support, separate maintenance received pursuant to: <input type="checkbox"/> Court Order <input type="checkbox"/> Written Agreement <input type="checkbox"/> Oral Understanding.			
Other Income: Source	Amount / Month	Marital Status <input type="checkbox"/> Married <input type="checkbox"/> Separated <input type="checkbox"/> Unmarried (includes single, divorced and widowed)	

JOINT APPLICANT OR OTHER PARTY INFORMATION - Provide the information in this section if joint credit, or the individual applicant is relying on the income of others as a basis for repayment, or the individual applicant lives in a community property state or is relying on property located in a community property state as a basis for repayment of the credit requested.

Name	Birthdate	Social Security No.	
Address (Street, City, State, Zip	County	Driver's License No.	
Home Phone	Business Phone	No. of Dependents	Ages of Dependents
Employer / Self Employed	Position	Years Employed	Employer's Address
Wages, Salary, Commissions Gross \$ / month	Net \$ / month	How Often Paid	
Previous Employer	Position	Years Employed	Previous Employer's Address
Name and Address of Applicant's Nearest Relative			Relationship
Alimony, child support, or separate maintenance income need not be revealed if you do not wish to have it considered. Alimony, child support, separate maintenance received pursuant to: <input type="checkbox"/> Court Order <input type="checkbox"/> Written Agreement <input type="checkbox"/> Oral Understanding.			
Other Income: Source	Amount / Month	Marital Status <input type="checkbox"/> Married <input type="checkbox"/> Separated <input type="checkbox"/> Unmarried (includes single, divorced and widowed)	

GENERAL INFORMATION - If you or a joint applicant or other party answers "yes" to any of the following questions, please explain in the space provided.					
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? (include amount)		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	
PREVIOUS CREDIT REFERENCES – Describe any previous debt obligations. Please mark Applicant-related information with an "A".					
1.		\$	Date Paid		
2.		\$	Date Paid		
ASSET AND DEBT INFORMATION - If "Joint Applicant or Other Party Information" section was completed above, this section should be completed giving information about both the Applicant and the Joint Applicant or Other Party. Attach additional sheets if necessary.					
ASSETS					
DESCRIPTION OF CURRENT ASSETS		NAME(S) OF OWNER(S)		SUBJECT TO DEBT:	VALUE
Checking Accounts (Institution, Acct. No.)				<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
				<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
Savings Accounts (Institution, Acct. No.)				<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
				<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
Automobiles (Year, Make, Model)				<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
				<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
Marketable Securities (Issuer, Type, No. of Shares)				<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
				<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
Life Insurance Cash Value (Issuer)				<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
Other Real Estate (Location, when acquired)				<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
Other Assets (Describe)				<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
TOTAL ASSETS					\$
OUTSTANDING DEBTS (Include all charge accounts, installment contracts, credit cards, rents, mortgages and other obligations.)					
CREDITOR	ACCOUNT NUMBER	NAMES IN WHICH THE ACCOUNT IS CARRIED	ORIGINAL AMOUNT	PRESENT BALANCE	MONTHLY PAYMENTS
Auto Loans					
Credit or Charge Cards					
Landlord or Mortgage Holder on other Real Estate					
Other Debts					
TOTAL DEBTS			\$	\$	\$

Maine Residents: A consumer report may be ordered in connection with your application. Upon your request, we will inform you whether or not a report was ordered. If a report was ordered, we will tell you the name and address of the consumer reporting agency that provided the report.

New York Residents: A consumer report may be ordered in connection with your application. Upon your request, we will inform you whether or not a report was ordered. If a report was ordered, we will tell you the name and address of the consumer reporting agency that provided the report. Subsequent reports may be ordered or utilized in connection with an update, renewal or extension of credit for which you have applied.

Ohio Residents: The Ohio laws against discrimination require 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. Any person who, with intent to defraud or knowing that they are facilitating a fraud against an insurer, submits an application or files a claim containing a false or deceptive statement is guilty of insurance fraud.

☐ **NOTICE · JOINT CREDIT:**
We Intend to apply for Joint credit. (initials) _____

I certify that everything I have stated in this application and on any attachments is correct. Lender may keep this application whether or not it is approved. By signing below, I authorize Lender to check my credit and employment history, to have a consumer credit report prepared on me for the purpose of evaluating this application for credit, and to answer questions others may ask Lender about my credit record with Lender. I understand that I must update this credit information al Lender's request and if my financial condition changes.

I acknowledge receipt of the Home Equity Brochure and the lender's Home Equity disclosure statement on today's date.

Applicant Signature:	Date:
Joint Applicant Signature:	Date:

CREDITOR USE ONLY			
This application was taken by: <input type="checkbox"/> face-to-face interview <input type="checkbox"/> mail <input type="checkbox"/> telephone <input type="checkbox"/> 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: \$

WHAT YOU SHOULD KNOW ABOUT

Home Equity Lines of Credit (HELOC)

Borrowing from the
value of your home



Consumer Financial
Protection Bureau



An official publication of the U.S. government

How to use the booklet

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

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

About the CFPB

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

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

How can this booklet help you?

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

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

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

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

After you finish this booklet:

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

Compare a HELOC to other money sources

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

TIP

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

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

Compare a HELOC to other money sources

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

How HELOCs work

PREPARE FOR UP-FRONT COSTS

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

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

PULL MONEY FROM YOUR LINE OF CREDIT

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

MAKE REPAYMENTS DURING THE “DRAW PERIOD”

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

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

ENTER THE “REPAYMENT PERIOD”

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

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

RENEW OR CLOSE OUT THE LINE OF CREDIT

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

TIP

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



GET THREE HELOC ESTIMATES

Shopping around lets you compare costs and features, so you can feel confident you're making the best choice for your situation.

		OFFER A	OFFER B	OFFER C
Initiating the HELOC				
Credit limit	\$			
First transaction	\$			
Minimum transaction	\$			
Minimum balance	\$			
Fixed annual percentage rate	%			
Variable annual percentage rate	%			
» Index used and current value				
» Amount of margin				
» Frequency of rate adjustments				
» Amount/length of discount rate (if any)				
» Interest rate cap and floor				
Length of plan				
» Draw period				
» Repayment period				
Initial fees				
» Appraisal fee	\$			
» Application fee	\$			



GET THREE HELOC ESTIMATES

Shopping around lets you compare costs and features, so you can feel confident you're making the best choice for your situation.

		OFFER A	OFFER B	OFFER C
» Up-front charges, including points	\$			
» Early termination fee	\$			
» Closing costs				
During the draw period				
» Interest and principal payments	\$			
» Interest-only payments?	\$			
» Fully amortizing payments	\$			
» Annual fee (if applicable)	\$			
» Transaction fee (if applicable)	\$			
» Inactivity fee	\$			
» Prepayment and other penalty fees	\$			
During the repayment period				
» Penalty for overpayments?				
» Fully amortizing payment amount?				
» Balloon repayment of full balance owed?				
» Renewal available?				
» Refinancing of balance by lender?				
» Conversion to fixed-term loan?				

How variable interest rates work

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

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

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

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

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

Rights and responsibilities

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

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

- Annual fees
- Miscellaneous charges

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

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

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

Right to cancel (also called right to rescind)

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

TIP

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

If something changes during the course of the loan

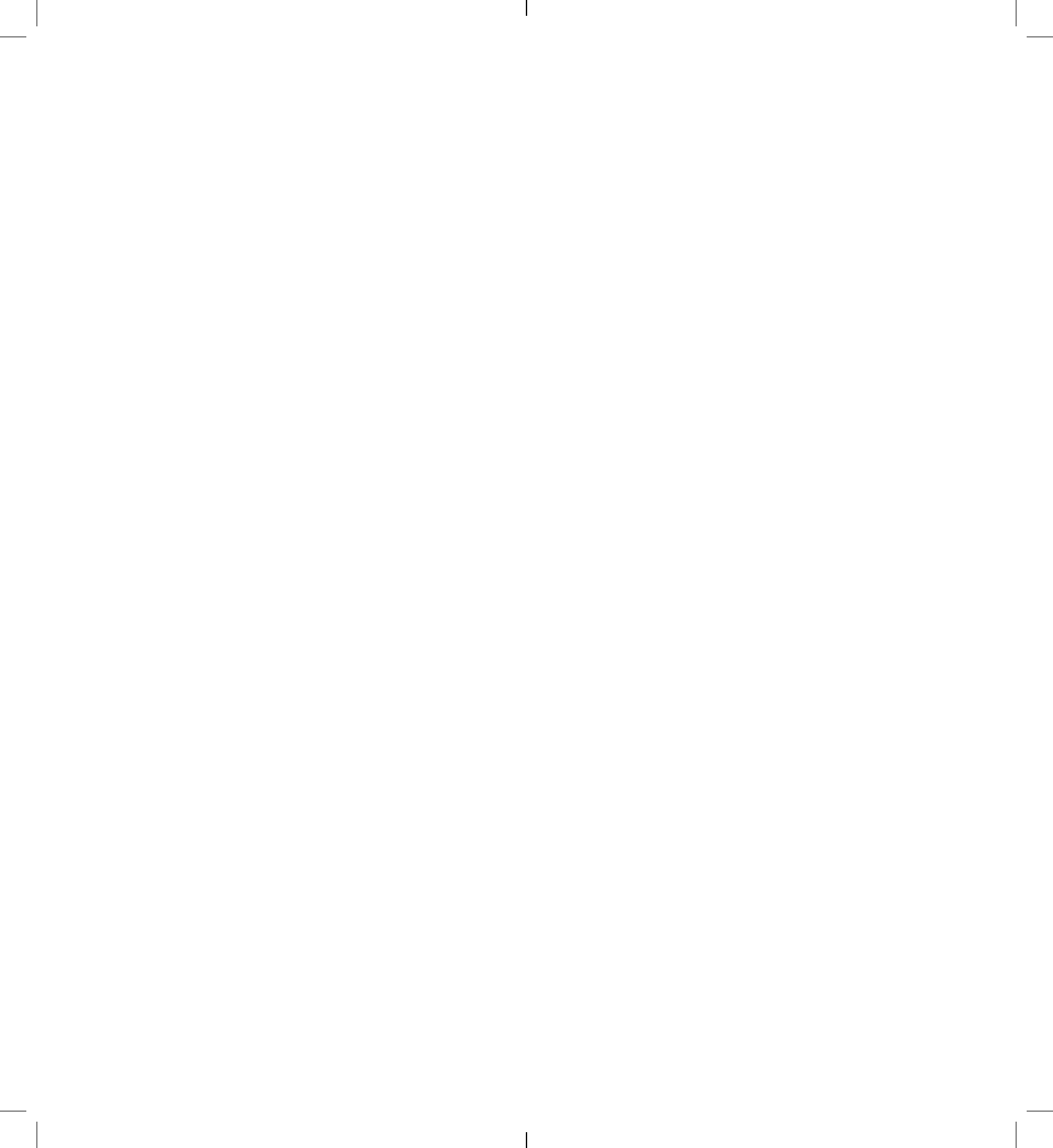
HELOCs generally permit the lender to freeze or reduce your credit line if the value of your home falls or if they see a change for the worse in your financial situation. If this happens, you can:

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



WELL DONE!

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



In this booklet:

ASK YOURSELF

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

Have I shopped around for HELOC features and fees?

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

ONLINE TOOLS

CFPB website
cfpb.gov

Answers to common questions
cfpb.gov/askcfpb

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

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

Submit a complaint
cfpb.gov/complaint