



ITEMIZATION OF THIRD PARTY FEES

This is an Estimate of fees that may be imposed by persons other than the Credit Union to open a Home Equity Line of Credit.

\$550.00 - 2000.00

\$50.00 - 230.00

\$TBD

\$75.00 - 380.00

\$17.00

***There may be other misc fees and closing costs**

APPRAISAL FEE, DEPENDING ON LOCATION

RECORDING FEE

TITLE INSURANCE/TITLE SEARCH

RELEASE AND SATISFACTION

FLOOD DETERMINATION FEE

DOCUMENTS NEEDED FOR REVIEW:

APPLICATION

TAX ASSESSMENT

W-2 FOR THE PREVIOUS YEAR

CURRENT PAY STUB WITH YEAR TO DATE EARNINGS

VERIFICATION OF MORTGAGE BALANCE (RECENT STATEMENT)

SELF EMPLOYED—LAST TWO YEARS TAX RETURNS WITH ALL SCHEDULES AND K-1 FROM BUSINESS RETURNS

COPY OF CURRENT HOMEOWNERS INSURANCE

***ADDITIONAL DOCUMENTATION MAY BE REQUIRED**

Latah Credit Union MORTGAGE LOAN ORIGINATORS - #561171

CAROL RAWLSKY-FELDMAN #767636

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HOME EQUITY CREDIT APPLICATION

Applicant Account Number

Co-Applicant Account Number

PROPERTY SECURING YOUR LOAN

| | | | | | |
|--|-------------------------|-------------------|------------------|---------------------|-----|
| Property Street Address | | City | County | State | Zip |
| Property Type: <input type="checkbox"/> Manufactured Home <input type="checkbox"/> Condo/Townhome <input type="checkbox"/> Single Family Home <input type="checkbox"/> Undeveloped Land <input type="checkbox"/> Other _____ | | | | | |
| Marital Status: <input type="checkbox"/> Married <input type="checkbox"/> Separated <input type="checkbox"/> Unmarried (Single, Divorced, Widowed) | | | | Amount Requested \$ | |
| Approximate Market Value \$ | Approximate Square Feet | Purchase Price \$ | Acquisition Date | Year Built | |
| Homeowners: Please Indicate Name(s) On Deed <input type="checkbox"/> Same as Applicants | | | Loan Purpose | | |

APPLICANT

| | | | | | |
|---|-----|-------------------|-------------------------------|-----------------|--------|
| FIRST NAME | | INITIAL | LAST NAME | | SUFFIX |
| SOCIAL SECURITY NUMBER | | | | BIRTH DATE | |
| CURRENT STREET ADDRESS | | | APT. NUMBER | SINCE | |
| CITY | | | COUNTY | | |
| STATE | ZIP | | DRIVER'S LICENSE NUMBER/STATE | | |
| FORMER ADDRESS (COMPLETE IF CURRENT ADDRESS IS LESS THAN 2 YEARS) | | | | NUMBER OF YEARS | |
| CITY | | STATE | | ZIP | |
| HOME TELEPHONE | | NO. OF DEPENDENTS | AGES OF DEPENDENTS | | |

CO-APPLICANT

| | | | | | |
|---|-----|-------------------|-------------------------------|-----------------|--------|
| FIRST NAME | | INITIAL | LAST NAME | | SUFFIX |
| SOCIAL SECURITY NUMBER | | | | BIRTH DATE | |
| CURRENT STREET ADDRESS | | | APT. NUMBER | SINCE | |
| CITY | | | COUNTY | | |
| STATE | ZIP | | DRIVER'S LICENSE NUMBER/STATE | | |
| FORMER ADDRESS (COMPLETE IF CURRENT ADDRESS IS LESS THAN 2 YEARS) | | | | NUMBER OF YEARS | |
| CITY | | STATE | | ZIP | |
| HOME TELEPHONE | | NO. OF DEPENDENTS | AGES OF DEPENDENTS | | |

EMPLOYMENT AND INCOME

 Attach two most recent paycheck stubs. If self-employed, check here ☐ and attach two years federal income tax returns.

| | | | |
|--|----------------|---------------------|--|
| CURRENT EMPLOYER (INCLUDE EMPLOYEE I.D. IF APPLICABLE) | | HIRE DATE | |
| ADDRESS | | | |
| WORK TELEPHONE | POSITION | MO. GROSS INCOME \$ | |
| FORMER EMPLOYER (If current is less than 2 years) | POSITION | YEARS THERE | |
| WORK TELEPHONE | START/END DATE | MO. GROSS INCOME \$ | |

| | | | |
|--|----------------|---------------------|--|
| CURRENT EMPLOYER (INCLUDE EMPLOYEE I.D. IF APPLICABLE) | | HIRE DATE | |
| ADDRESS | | | |
| WORK TELEPHONE | POSITION | MO. GROSS INCOME \$ | |
| FORMER EMPLOYER (If current is less than 2 years) | POSITION | YEARS THERE | |
| WORK TELEPHONE | START/END DATE | MO. GROSS INCOME \$ | |

OTHER INCOME

 You need not list income from alimony, child support or separate maintenance payments unless You want it considered in evaluating this credit application.

| | |
|---------------------------|-----------------------|
| SOURCE OF OTHER INCOME | MONTHLY AMOUNT \$ |
| NAME AND ADDRESS OF PAYER | NO. OF YEARS RECEIVED |

| | |
|---------------------------|-----------------------|
| SOURCE OF OTHER INCOME | MONTHLY AMOUNT \$ |
| NAME AND ADDRESS OF PAYER | NO. OF YEARS RECEIVED |

REFERENCES

| |
|---|
| NAME, ADDRESS AND TELEPHONE OF NEAREST RELATIVE NOT LIVING WITH YOU |
| PERSONAL REFERENCE - NAME, ADDRESS AND TELEPHONE |
| PERSONAL REFERENCE - NAME, ADDRESS AND TELEPHONE |

| |
|---|
| NAME, ADDRESS AND TELEPHONE OF NEAREST RELATIVE NOT LIVING WITH YOU |
| PERSONAL REFERENCE - NAME, ADDRESS AND TELEPHONE |
| PERSONAL REFERENCE - NAME, ADDRESS AND TELEPHONE |

ASSETS AND DEPOSITS

 Attach a separate sheet if necessary.

| DESCRIPTION | ACCOUNT NUMBER/TYPE | BALANCE/VALUE |
|-------------|---------------------|---------------|
| | | |
| | | |
| | | |
| | | |
| | | |

| DESCRIPTION | ACCOUNT NUMBER/TYPE | BALANCE/VALUE |
|-------------|---------------------|---------------|
| | | |
| | | |
| | | |
| | | |
| | | |

A=Applicant C=Co-Applicant
D=Debts to be paid off if loan is granted.

[illegible]

| Please answer the following questions. If a yes answer is given, explain on attached sheet. Please Check: A = Applicant/Co-signer C = Co-Applicant | | A | | C | | TOTALS | | \$ | | \$ | |
|--|--|-----|----|-----|----|--|--|-----|----|-----|----|
| | | YES | NO | YES | NO | Please Check: A = Applicant/Co-signer C = Co-Applicant | | A | | C | |
| | | | | | | | | YES | NO | YES | NO |
| 1. Have You filed a petition for bankruptcy in the last 10 years? | | | | | | | | | | | |
| 2. Have You ever had any auto, furniture or property repossessed? | | | | | | 6. Have You any obligations not listed? | | | | | |
| 3. Are You a co-maker or co-signer on any loan? | | | | | | 7. Do You have any past due bills? | | | | | |
| For Whom _____ | | | | | | 8. Is any income You have listed likely to reduce in the next two years? | | | | | |
| Where _____ | | | | | | 9. Is the property securing this loan You are applying for currently for sale? | | | | | |
| 4. Have You ever had credit in any other name? | | | | | | 10. Indicate immigration status: | | | | | |
| What Name _____ | | | | | | Applicant <input type="checkbox"/> U.S. Citizen <input type="checkbox"/> Permanent U.S. Resident <input type="checkbox"/> Other _____ | | | | | |
| 5. Have You any suits pending, judgments filed, alimony or support awards against You? | | | | | | Co-Applicant <input type="checkbox"/> U.S. Citizen <input type="checkbox"/> Permanent U.S. Resident <input type="checkbox"/> Other _____ | | | | | |

You have applied for the loan indicated in this application to be secured by a mortgage or deed of trust on the property described herein, and represent that the property will not be used for any illegal or restricted purpose, and that all statements made in this application are true and are made for the purpose of obtaining the loan. You authorize Us, Our employees and agents to investigate and verify any information provided to Us by You. The original or a copy of this application will be retained by Us, even if the loan is not granted. You: ☐ intend; or ☐ do not intend; to occupy the property as Your primary residence. You fully understand that it is a federal crime punishable by fine or imprisonment, or both, to knowingly make any false statements concerning any of the above facts as applicable under the provisions of Title 18, United States Code, Section 1014.

X _____ Date _____ X _____ Date _____
Applicant's Signature Co-Applicant's Signature



912 South Washington
P.O. Box 9286
Moscow, ID 83843-1786

Phone: (208) 882-0232 • Fax: (208) 882-3250

IMPORTANT TERMS of our HOME EQUITY LINE OF CREDIT

THIS DISCLOSURE CONTAINS INFORMATION ABOUT OUR HOME EQUITY LINE OF CREDIT. YOU SHOULD READ IT CAREFULLY AND KEEP THIS COPY FOR YOURSELF.

Availability Of Terms

All 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 Deed of Trust/Mortgage on your home ("Security Property"). You could lose your home if you do not meet certain obligations in your agreement with us.

Possible Actions

Termination

If you fail to meet the terms of repayment, or if you act or fail to act in a way that adversely affects our security interest or other rights in the Security Property, or if you have committed fraud or made a material misrepresentation in connection with the account, we may, subject to the governing law, terminate the plan, require payment in full of the entire outstanding balance in a single payment or cause the Security Property to be sold and the proceeds of such sale to be applied to your obligation to us. You agree to pay any reasonable costs of protecting, retaking, repairing or selling the Security Property.

Suspension

Your right to request additional advances may be suspended, or your maximum credit limit reduced, at our option, in the following instances: (1) you fail to make the scheduled payments due to us; (2) you fail to make timely payments to the holders of Deeds of Trust/Mortgages senior to ours; (3) you fail to pay real property taxes prior to delinquency; (4) you fail to maintain the required property insurance; (5) the value of the Security Property declines significantly below the appraised value upon which we relied in approving your application; (6) we reasonably believe that your ability to meet your payment obligations is impaired because of a material change in your financial circumstances; (7) governmental action precludes our imposing the interest rate provided herein or adversely affects the priority of our security interest such that the value of our interest is less than 120% of your maximum credit limit; (8) the maximum interest rate under the plan is reached; or (9) government regulatory authorities find that further advances under this plan constitute an unsafe and unsound practice. When the condition which caused the suspension of advances or reduction of your maximum credit limit no longer exists, the original terms of your agreement will be reinstated. You understand that if your right to request additional advances is suspended or your maximum credit limit is reduced, you still owe us whatever sums you have already borrowed, all other charges under your agreement and applicable Finance Charges.

Minimum Payment Requirements

You can obtain credit advances for 60 months (the draw period). During the draw period, payment will be due on a monthly basis. During the Draw Period, your Minimum Periodic Payment will be established at the time of each advance, and any subsequent change in Interest Rate, to the amount necessary to fully amortize your then unpaid principal balance over a term of 180 months from the date of such advance.

After the draw period ends, you will no longer be able to obtain credit advances and you must pay your outstanding balance (the repayment period). The length of the repayment period will in no event exceed 180 months. During the repayment period, your minimum periodic payment will be calculated in the same manner as the draw period.

Minimum Payment Examples

If you made only the minimum payments and took no other credit advances, it would take 180 months to pay off a credit advance of \$10,000.00 at an **ANNUAL PERCENTAGE RATE** of 5.00%. During that period, you would make 60 monthly payments of \$79.08, followed by 119 monthly payments of \$79.08 and a final payment of \$80.08.

Fees And Charges

To open a line of credit, you may have to pay certain fees to third parties. These fees generally total from \$500.00 to \$1,500.00. If you ask, we will give you an itemization of the fees you will have to pay to third parties.

Insurance

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

Tax Deductibility

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

Variable Rate Feature

This plan has a Variable Rate feature. The Annual Percentage Rate (corresponding to the periodic rate) and the amount of your regularly scheduled payments can change as a result. The Annual Percentage Rate includes only interest and no other costs. The Annual Percentage Rate is based on the value of an index. The index is the highest Prime Rate as published in the Money Rates section of The Wall Street Journal in effect 15 calendar days prior to each Change Date. If more than one rate is shown, we will use the higher rate. To determine the Annual Percentage Rate that will apply to your line of credit, 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 a line of credit, rate information will be provided in periodic statements that we send you.

Rate Changes

Your Annual Percentage Rate can change quarterly. There is no limit on the amount by which the interest rate can change during any one year period other than the maximum and minimum Annual Percentage Rates that can apply at any time to this account.

The maximum **ANNUAL PERCENTAGE RATE** at any time is 18.00%. The minimum **ANNUAL PERCENTAGE RATE** at any time is 5.00%.

Maximum Rate And Payment Examples

If you had an outstanding balance of \$10,000.00 during the draw period, the minimum payment at the maximum **ANNUAL PERCENTAGE RATE** of 18.00% would be \$161.06. This Annual Percentage Rate could be reached during the 1st month of the draw period.

If you had an outstanding balance of \$10,000.00 during the repayment period, the minimum payment at the maximum **ANNUAL PERCENTAGE RATE** of 18.00% would be \$161.06. This Annual Percentage Rate could be reached during the 1st month of the repayment period.

Historical Example

The following table shows how the Annual Percentage Rate and the monthly payments for a single \$10,000.00 cash advance would have changed based on changes in the index since 2007. The index is from The Wall Street Journal and is calculated on the first business day of December of each year. While only one payment amount per year is shown, payments may have varied during the year. The table assumes that no additional credit advances were taken, that only the minimum payments were made, 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.

| Year | Index | Margin ⁽¹⁾ | ANNUAL PERCENTAGE RATE | Payment Period | Minimum Payment |
|------|-------|-----------------------|------------------------------|-------------------|--------------------|
| 2007 | 7.50 | -1.00 | 6.50% | Draw | \$87.11 |
| 2008 | 4.00 | -1.00 | 5.00% ⁽²⁾ | Draw | \$79.51 |
| 2009 | 3.25 | -1.00 | 5.00% ⁽²⁾ | Draw | \$79.51 |
| 2010 | 3.25 | -1.00 | 5.00% ⁽²⁾ | Draw | \$79.51 |
| 2011 | 3.25 | -1.00 | 5.00% ⁽²⁾ | Draw | \$79.51 |
| 2012 | 3.25 | -1.00 | 5.00% ⁽²⁾ | Repayment | \$79.51 |
| 2013 | 3.25 | -1.00 | 5.00% ⁽²⁾ | Repayment | \$79.51 |
| 2014 | 3.25 | -1.00 | 5.00% ⁽²⁾ | Repayment | \$79.51 |
| 2015 | 3.25 | -1.00 | 5.00% ⁽²⁾ | Repayment | \$79.51 |
| 2016 | 3.50 | -1.00 | 5.00% ⁽²⁾ | Repayment | \$79.51 |
| 2017 | 4.25 | -1.00 | 5.00% ⁽²⁾ | Repayment | \$79.51 |
| 2018 | 5.25 | -1.00 | 5.00% ⁽²⁾ | Repayment | \$79.51 |
| 2019 | 4.75 | -1.00 | 5.00% ⁽²⁾ | Repayment | \$79.51 |
| 2020 | 3.25 | -1.00 | 5.00% ⁽²⁾ | Repayment | \$79.51 |
| 2021 | 3.25 | -1.00 | 5.00% ⁽²⁾ | Repayment | \$79.51 |

(1) This represents the Margin which we have recently used.

(2) This represents the minimum Annual Percentage Rate.

What you should know about home equity lines of credit:

This disclosure 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 disclosure 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 disclosure 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 to access interactive tools and resources for mortgage shoppers, which are expected to be available beginning in 2014.

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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 | % | % |
| <ul style="list-style-type: none"> Index used and current value Amount of margin Frequency of rate adjustments Interest rate cap and floor | % | % |
| Length of plan | | |
| Draw Period | | |
| Repayment period | | |
| Initial fees | | |
| Appraisal fee | | |
| Application fee | | |
| Up-front charges, including points | | |
| Closing Costs | | |

Home equity plan checklist (continued)

| Repayment terms | Plan A | Plan B |
|-----------------------------------|--------|--------|
| 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? | | |

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 debt | - \$ 40,000 |
| Potential line of credit | \$ 35,000 |

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 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

| | |
|---|--|
| 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) 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. For answers to questions about mortgages and other financial topics, visit consumerfinance.gov/askcfpb. You may also visit the CFPB's website at 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 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 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 Entity(ies) | Contact Information |
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| Consumer Financial Protection Bureau (CFPB) 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, debit collection, consumer reports, prepaid cards, private education loans, and payday lending. | (855) 411-CFPB (2372) www.consumerfinance.gov www.consumerfinance.gov/complaint |
| Board of Governors of the Federal Reserve System (FRB) Consumer Help P.O. Box 1200 Minneapolis, MN 55480 | Federally insured state-chartered bank members of the Federal Reserve System | (888) 851-1920 www.federalreserveconsumerhelp.gov |
| Office of the Comptroller of the Currency (OCC) Customer Assistance Group 1301 McKinney Street Suite 3450 Houston, TX 77010 | National banks and federally chartered savings banks/associations | (800) 613-6743 www.occ.treas.gov www.helpwithmybank.gov |
| Federal Deposit Insurance Corporation (FDIC) 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 www.fdic.gov www.fdic.gov/consumers |
| Federal Housing Finance Agency (FHFA) 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 www.fhfa.gov www.fhfa.gov/Default.aspx?Page=369 ConsumerHelp@fhfa.gov |
| National Credit Union Administration (NCUA) Consumer Assistance 1775 Duke Street Alexandria, VA 22314-3428 | Federally chartered credit unions | (800) 755-1030 www.ncua.gov www.mycreditunion.gov |
| Federal Trade Commission (FTC) 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 www.ftc.gov www.ftc.gov/bcp |
| Securities and Exchange Commission (SEC) Complaint Center 100 F Street, N.E. Washington, DC 20549-0213 | Brokerage firms, mutual fund companies, and investment advisers | (202) 551-6551 www.sec.gov www.sec.gov/complaint/select.shtml |
| Farm Credit Administration Office of Congressional and Public Affairs 1501 Farm Credit Drive McLean, VA 22102-5090 | Agricultural lenders | (703) 883-4056 www.fca.gov |
| Small Business Administration (SBA) Consumer Affairs 409 3rd Street, S.W. Washington, DC 20416 | Small business lenders | (800) U-ASK-SBA or (800) 827-5722 www.sba.gov |
| Commodity Futures Trading Commission (CFTC) 1155 21st Street, N.W. Washington, DC 20581 | Commodity brokers, commodity trading advisers, commodity pools, and introducing brokers | (866) 366-2382 www.cftc.gov/Consumer-Protection/index.htm |
| U.S. Department of Justice (DOJ) Civil Rights Division 950 Pennsylvania Avenue, N.W. Housing and Civil Enforcement Section Washington, DC 20530 | Lending and 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 |
| Department of Housing and Urban Development (HUD) Office of Fair Housing/Equal Opportunity 451 7th Street, S.W. Washington, DC 20410 | Fair lending and housing issues | (800) 669-9777 www.hud.gov/complaints |