



Dear Member,

Thank you for requesting Alliance Catholic Credit Union's Home Equity Loan Package. Please take a moment to read the very important information included in this packet.

**Home Equity Line of Credit (HELOC)**

This loan features an open line of credit that you can activate as needed. The loan features an annual percentage rate that may vary. See the enclosed document titled "***What you should know about home equity lines of credit.***"

In order to begin your home equity loan request, **please submit the following documentation:**

1. Completed Application and signed Authorization Form (Included in this packet)
2. A check for \$250.00. This is your origination fee.
3. Copy current Mortgage and any applicable riders
4. Copy of one of the following: Warranty Deed, Quit Claim Deed or Title Policy
5. Copies of two most recent paystubs for Borrower and Co-borrower
6. Copy of Divorce Judgment or Trust Document, ***if applicable***
7. Copy of recent summer and winter property tax bill
8. If you have a copy of an appraisal that is less than six months old
9. Copy of current Homeowners Insurance Policy

Additional documentation may be required.

To check current rates, and speak to a Member Service Representative, please call us at 877.950.2228. Thank you for applying for a Home Equity Loan with Alliance Catholic Credit Union.

Enclosures



Application for  
**HOME EQUITY LINE OF CREDIT**  
 (a variable rate loan)

ACCU Account Number
Amount requested for loan \$

<b>Purpose of Loan:</b>	<input type="checkbox"/> Home Improvements <input type="checkbox"/> Debt Consolidation <input type="checkbox"/> Other			
	<b>Property Address:</b>			
	Street Address	City	State	ZIP      Phone
	Manner in which Title will be held			

APPLICANT INFORMATION				CO-APPLICANT INFORMATION			
Social Security Number				Social Security Number			
LAST Name				LAST Name			
FIRST Name		Middle Initial		FIRST Name		Middle Initial	
Other Credit Name		Mother's Maiden Name		Other Credit Name		Mother's Maiden Name	
Driver License Number		State	Birthdate	Driver License Number		State	Birthdate
Home Phone		Work Phone		Home Phone		Work Phone	
Mobile Phone				Mobile Phone			
E-Mail Address				E-Mail Address			
CURRENT Address				CURRENT Address			
City				City			
State	ZIP	How long at this address?		State	ZIP	How long at this address?	
CURRENT Employer Name				CURRENT Employer Name			
Employer Address				Employer Address			
Occupation		Supervisor/Manager Name		Occupation		Supervisor/Manager Name	
Length of Employment	Start Date	Hours Per Week	Monthly Gross \$	Length of Employment	Start Date	Hours Per Week	Monthly Gross \$
Other Income (Alimony, child support, or separate maintenance income need not be revealed if you do not wish to have it considered as a basis for repaying this obligation.)			\$	Other Income (Alimony, child support, or separate maintenance income need not be revealed if you do not wish to have it considered as a basis for repaying this obligation.)			\$
PREVIOUS Employer Name				PREVIOUS Employer Name			
Employer Address				Employer Address			
Occupation		Supervisor/Manager Name		Occupation		Supervisor/Manager Name	
Length of Employment	Start Date	Hours Per Week	Monthly Gross \$	Length of Employment	Start Date	Hours Per Week	Monthly Gross \$



Alliance Catholic Credit Union NMLS# 401254  
 9300 Cooper Street, Taylor, Michigan 48180  
 1.877.950.2228 AllianceCCU.com

Application continued  
 on the back

Please answer the following questions. If a YES answer is given, EXPLAIN on attached sheet.	APPLICANT	CO-APPLICANT
1. Have You filed a petition for bankruptcy in the last 10 years?	<input type="checkbox"/> YES <input type="checkbox"/> NO	<input type="checkbox"/> YES <input type="checkbox"/> NO
2. Have You ever had any auto, furniture or property repossessed?	<input type="checkbox"/> YES <input type="checkbox"/> NO	<input type="checkbox"/> YES <input type="checkbox"/> NO
3. Are you a co-maker or co-signer on any loan? For Whom _____ Where _____	<input type="checkbox"/> YES <input type="checkbox"/> NO	<input type="checkbox"/> YES <input type="checkbox"/> NO
4. Have You ever had credit in any other name? What Name _____	<input type="checkbox"/> YES <input type="checkbox"/> NO	<input type="checkbox"/> YES <input type="checkbox"/> NO
5. Have You any suits pending, judgments filed, alimony or support Awards against You?	<input type="checkbox"/> YES <input type="checkbox"/> NO	<input type="checkbox"/> YES <input type="checkbox"/> NO
6. Do You have any past due bills?	<input type="checkbox"/> YES <input type="checkbox"/> NO	<input type="checkbox"/> YES <input type="checkbox"/> NO
7. Is any income You have listed likely to reduce in the next 2 years?	<input type="checkbox"/> YES <input type="checkbox"/> NO	<input type="checkbox"/> YES <input type="checkbox"/> NO
8. Is the property securing this loan You are applying for currently for sale?	<input type="checkbox"/> YES <input type="checkbox"/> NO	<input type="checkbox"/> YES <input type="checkbox"/> NO

9. Indicate immigration status:

Applicant: U.S. Citizen      Permanent U.S. Resident      Other \_\_\_\_\_

Co-Applicant: U.S. Citizen      Permanent U.S. Resident      Other \_\_\_\_\_

**Mortgage Information**

First Mortgage Interest Rate: _____ %	Estimated Home Value: \$ _____	Monthly Mortgage Payment: \$ _____	Mortgage Balance: \$ _____
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Do You escrow for Property Taxes and/or Homeowner's Insurance?  YES  NO  
 If NO, please indicate the following: Annual Taxes: \$ \_\_\_\_\_ Annual Insurance: \$ \_\_\_\_\_

Do You have a 2nd Mortgage or any type of existing Home Equity Loan currently?  YES  NO  
 If Yes, please indicate the following:  
 Balance: \$ \_\_\_\_\_ Rate: \$ \_\_\_\_\_ Monthly Payment: \$ \_\_\_\_\_

**Debt Protection**

An appropriate application/disclosure will be furnished at the time Your credit is approved.  
 Please check on of the boxes below:  
 You are interested in debt protection coverage     You are NOT interested in debt protection coverage

**Signatures**

The undersigned applies for the loan indicated in this application to be secured by a mortgage or deed of trust on the property described herein, and represents that the property will not be used for any illegal or restricted purpose, and that all statements made in this application are true and are made for the purpose of obtaining the loan. Verification may be obtained from any source names in this application. The original or a copy of this application will be retained by the Lender, even if the loan is not granted. You warrant that You: \_\_\_ intend; \_\_\_ do not intend; to occupy the property as Your primary residence. You authorize Us to accept Your facsimile signatures on this application and agree that Your facsimile signature will have the same legal force and effect as Your original signature. You assume any risk that may be associated with permitting Us to accept Your facsimile signature. 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.

You acknowledge the receipt of the applicable Home Equity Loan disclosures, including but not limited to, the Borrower's Bill of Rights, Consumer Caution and Home Ownership Counseling Notice, HUD Approved Housing Counseling Agencies (as required by MPA 660 of 2002) and if applicable, a copy of the booklet "When Your Home is On the Line."

You hereby acknowledge Your intent to apply for joint credit: \_\_\_\_\_  
Applicant Initials      Co-Applicant Initials

X \_\_\_\_\_ Date \_\_\_\_\_      X \_\_\_\_\_ Date \_\_\_\_\_  
Applicant's Signature      Co-Applicant's Signature





9300 Cooper St.  
Taylor, MI 48180  
877.950.ACCU  
www.allianceccu.com

## DEMOGRAPHIC INFORMATION OF APPLICANT AND CO-APPLICANT

Application Number: _____
Date: _____

The purpose of collecting this information is to help ensure that all applicants are treated fairly and that the housing needs of communities and neighborhoods are being fulfilled. For residential mortgage lending, Federal law requires that we ask applicants for their demographic information (ethnicity, race, and sex) in order to monitor our compliance with equal credit opportunity, fair housing, and home mortgage disclosure laws. You are not required to provide this information, but are encouraged to do so. You may select one or more "Hispanic or Latino" origins, and one or more designations for "Race."

The law provides that we may not discriminate on the basis of this information, or on whether you choose to provide it. However, if you choose not to provide the information and you have made this application in person, Federal regulations require us to note your ethnicity, race and sex on the basis of visual observation or surname. If you do not wish to provide some or all of this information, please check below.

<p><b>Applicant:</b></p> <p><b>Ethnicity:</b></p> <p><input type="checkbox"/> Hispanic or Latino – <i>Check one or more</i></p> <p><input type="checkbox"/> Mexican      <input type="checkbox"/> Puerto Rican      <input type="checkbox"/> Cuban</p> <p><input type="checkbox"/> Other Hispanic or Latino – <i>Print origin, for example, Argentinean, Colombian, Dominican, Nicaraguan, Salvadoran, Spaniard, and so on:</i></p> <p>_____</p> <p><input type="checkbox"/> Not Hispanic or Latino</p> <p><input type="checkbox"/> I do not wish to provide this information (<i>about Ethnicity</i>)</p> <p><b>Race: check one or more</b></p> <p><input type="checkbox"/> American Indian or Alaska Native – <i>Print name of enrolled or principal tribe:</i></p> <p>_____</p> <p><input type="checkbox"/> Asian</p> <p><input type="checkbox"/> Asian Indian      <input type="checkbox"/> Chinese      <input type="checkbox"/> Filipino</p> <p><input type="checkbox"/> Japanese      <input type="checkbox"/> Korean      <input type="checkbox"/> Vietnamese</p> <p><input type="checkbox"/> Other Asian – <i>Print race, for example, Hmong, Laotian, Thai, Pakistani, Cambodian, and so on:</i></p> <p>_____</p> <p><input type="checkbox"/> Black or African American</p> <p><input type="checkbox"/> Native Hawaiian or Other Pacific Islander</p> <p><input type="checkbox"/> Native Hawaiian      <input type="checkbox"/> Guamanian or Chamorro</p> <p><input type="checkbox"/> Samoan</p> <p><input type="checkbox"/> Other Pacific Islander – <i>Print race, for example, Fijian, Tongan, and so on:</i></p> <p>_____</p> <p><input type="checkbox"/> White</p> <p><input type="checkbox"/> I do not wish to provide this information (<i>about Race</i>)</p> <p><b>Sex:</b></p> <p><input type="checkbox"/> Female      <input type="checkbox"/> Male</p> <p><input type="checkbox"/> I do not wish to provide this information (<i>about Sex</i>)</p> <hr/> <p><b>To Be Completed By Credit Union (for an application taken in person)</b></p> <p>Was the ethnicity of the Applicant collected on the basis of visual observation or surname?</p> <p><input type="checkbox"/> Yes      <input type="checkbox"/> No</p> <p>Was the race of the Applicant collected on the basis of visual observation or surname?</p> <p><input type="checkbox"/> Yes      <input type="checkbox"/> No</p> <p>Was the sex of the Applicant collected on the basis of visual observation or surname?</p> <p><input type="checkbox"/> Yes      <input type="checkbox"/> No</p> <hr/> <p><b>Applicant Name (print):</b> _____</p> <hr/> <p><b>Applicant Signature (optional):</b> _____</p>	<p><b>Co-Applicant:</b></p> <p><b>Ethnicity:</b></p> <p><input type="checkbox"/> Hispanic or Latino – <i>Check one or more</i></p> <p><input type="checkbox"/> Mexican      <input type="checkbox"/> Puerto Rican      <input type="checkbox"/> Cuban</p> <p><input type="checkbox"/> Other Hispanic or Latino – <i>Print origin, for example, Argentinean, Colombian, Dominican, Nicaraguan, Salvadoran, Spaniard, and so on:</i></p> <p>_____</p> <p><input type="checkbox"/> Not Hispanic or Latino</p> <p><input type="checkbox"/> I do not wish to provide this information (<i>about Ethnicity</i>)</p> <p><b>Race: check one or more</b></p> <p><input type="checkbox"/> American Indian or Alaska Native – <i>Print name of enrolled or principal tribe:</i></p> <p>_____</p> <p><input type="checkbox"/> Asian</p> <p><input type="checkbox"/> Asian Indian      <input type="checkbox"/> Chinese      <input type="checkbox"/> Filipino</p> <p><input type="checkbox"/> Japanese      <input type="checkbox"/> Korean      <input type="checkbox"/> Vietnamese</p> <p><input type="checkbox"/> Other Asian – <i>Print race, for example, Hmong, Laotian, Thai, Pakistani, Cambodian, and so on:</i></p> <p>_____</p> <p><input type="checkbox"/> Black or African American</p> <p><input type="checkbox"/> Native Hawaiian or Other Pacific Islander</p> <p><input type="checkbox"/> Native Hawaiian      <input type="checkbox"/> Guamanian or Chamorro</p> <p><input type="checkbox"/> Samoan</p> <p><input type="checkbox"/> Other Pacific Islander – <i>Print race, for example, Fijian, Tongan, and so on:</i></p> <p>_____</p> <p><input type="checkbox"/> White</p> <p><input type="checkbox"/> I do not wish to provide this information (<i>about Race</i>)</p> <p><b>Sex:</b></p> <p><input type="checkbox"/> Female      <input type="checkbox"/> Male</p> <p><input type="checkbox"/> I do not wish to provide this information (<i>about Sex</i>)</p> <hr/> <p><b>To Be Completed By Credit Union (for an application taken in person)</b></p> <p>Was the ethnicity of the Co-Applicant collected on the basis of visual observation or surname?</p> <p><input type="checkbox"/> Yes      <input type="checkbox"/> No</p> <p>Was the race of the Co-Applicant collected on the basis of visual observation or surname?</p> <p><input type="checkbox"/> Yes      <input type="checkbox"/> No</p> <p>Was the sex of the Co-Applicant collected on the basis of visual observation or surname?</p> <p><input type="checkbox"/> Yes      <input type="checkbox"/> No</p> <hr/> <p><b>Co-Applicant Name (print):</b> _____</p> <hr/> <p><b>Co-Applicant Signature (optional):</b> _____</p>
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9300 Cooper St.  
Taylor, MI 48180  
877.950.ACCU  
www.allianceccu.com

## **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 120 months (the draw period). During the draw period, payments will be due on a monthly basis. Your minimum monthly payment will be established at the time of each advance at an amount equal to \$1.00 per \$100.00 of your then outstanding principal balance (rounded up to the nearest \$100.00), subject to the lesser of \$50.00 or your account balance.

After the draw period ends, you will no longer be able to obtain credit advances and must repay any outstanding balance (the repayment period). The length of the repayment period will depend on the date and the amount of your last advance but in no event will exceed 120 months. During the repayment period, your minimum monthly payment will be calculated in the same manner as the draw period.

Paying only the minimum payment may not be sufficient to fully amortize your unpaid account balance by the end of the repayment period in which case, you will be required to pay your entire remaining account balance in a single balloon payment on the Agreement Maturity Date.

#### **Minimum Payment Example**

If you made only the minimum payments and took no other credit advances, it would take 126 months to pay off a credit advance of \$10,000.00 at an **ANNUAL PERCENTAGE RATE** of 4.50%. During that period, you would make 120 monthly payments of \$100.00, followed by 5 monthly payments of \$100.00, and a final payment of \$57.34.

#### **Negative Amortization**

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

#### **Fees And Charges**

To open and maintain a line of credit, you will have to pay us \$250.00. If you ask, we will give you an itemization of these fees.

#### **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), the number of your scheduled payments during

the draw and repayment periods, and the amount of your final payment can change as a result. The Annual Percentage Rate includes only interest and no other costs. The Annual Percentage Rate is based on the value of an index. The index is the highest prime rate as published in the Money Rates Section of The Wall Street Journal in effect on the 25<sup>th</sup> day (or next business day) of the last month of each calendar quarter of each year. 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 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 4.50%.

#### Maximum Rate And Payment Examples

If you had an outstanding balance of \$10,000.00 during the draw and repayment periods, the minimum payment at the maximum **ANNUAL PERCENTAGE RATE** of 18.00% would be \$100.00. This Annual Percentage Rate could be reached during the 1st month of the draw and repayment periods.

#### Historical Example

The following table shows how the Annual Percentage Rate and the monthly payments for a single \$10,000.00 credit advance would have changed based on changes in the index since 2003. The index is from The Wall Street Journal and is calculated on the first business day of October 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 <sup>(1)</sup>	ANNUAL PERCENTAGE RATE	Payment Period	Minimum Payment
2003	4.00	-0.25	4.50%	DRAW	\$100.00
2004	4.75	-0.25	4.50%	DRAW	\$100.00
2005	6.75	-0.25	6.50%	DRAW	\$100.00
2006	8.25	-0.25	8.00%	DRAW	\$100.00
2007	7.75	-0.25	7.50%	DRAW	\$100.00
2008	5.00	-0.25	4.75%	DRAW	\$100.00
2009	3.25	-0.25	4.50% <sup>(2)</sup>	DRAW	\$100.00
2010	3.25	-0.25	4.50% <sup>(2)</sup>	DRAW	\$100.00
2011	3.25	-0.25	4.50% <sup>(2)</sup>	DRAW	\$100.00
2012	3.25	-0.25	4.50% <sup>(2)</sup>	DRAW	\$100.00
2013	3.25	-0.25	4.50% <sup>(2)</sup>	REPAYMENT	\$100.00
2014	3.25	-0.25	4.50% <sup>(2)</sup>	REPAYMENT	\$100.00
2015	3.25	-0.25	4.50% <sup>(2)</sup>	REPAYMENT	\$0.00
2016	3.50	-0.25	4.50% <sup>(2)</sup>	REPAYMENT	\$0.00
2017	4.25	-0.25	4.50% <sup>(2)</sup>	REPAYMENT	\$0.00

(1) This represents a margin we have recently used.

(2) This represents the minimum annual percentage rate.



**ALLIANCE CATHOLIC CREDIT UNION**

**ADDENDUM TO  
IMPORTANT TERMS of our HOME EQUITY LINE OF CREDIT**  
Special Introductory Rate thru December 31, 2018

In connection with your application for a Home Equity Line of Credit, we have provided you with a document entitled Important Terms of our Home Equity Line of Credit.

Alliance Catholic Credit Union has decided to offer certain borrowers a Special Introductory Rate on these lines of credit through December 31, 2018. As a result of this decision, a number of changes must be made to the Important Terms of our Home Equity Line of Credit document.

Therefore, the Important Terms of our Home Equity Line of Credit document (the “document”) is amended to provide as follows:

1. The section of the document under the heading “Variable Rate Feature” is deleted and replaced with the following:

**Variable Rate Feature**

This plan has a variable rate feature. In general, the Annual Percentage Rate (corresponding to the periodic rate) during the draw and repayment periods, and the amount of your final payment, can change as a result. The annual percentage rate includes only interest and no other costs.

From the date this plan is open until December 31, 2018, the annual percentage rate may be fixed at a discounted rate (this is known as a “special introductory rate”). Beginning on January 1, 2019 (or, if there is no special introductory rate, on the first day the plan is open), the annual percentage rate will vary, 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 on the 25<sup>th</sup> day (or next business day) of the last month of each calendar quarter of each year. If more than one rate is shown, we will use the higher rate. To determine the annual percentage rate that will apply to your account after the special introductory rate period, if there is one, or, if there is no special introductory rate, from the beginning, we add a margin to the value of the Index. Ask us for the current index value, margin, discounted rate (if any), and annual percentage rate. After you open a line of credit, rate information will be provided on periodic statements that we send you.

2. The section of the document under the heading “Rate Changes” is deleted and replaced with the following:

**Rate Changes**

If your plan includes a special introductory rate, that rate will remain fixed until December 31, 2018. Beginning on January 1, 2019, or the first day the plan is open, if there is no special introductory rate, your Annual Percentage Rate can change quarterly. After any applicable introductory rate period, there is no limit on the amount by which the interest 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%. Except for any applicable introductory rate period, the minimum **ANNUAL PERCENTAGE RATE** at any time is 4.50%.

3. The section of the document under the heading “Maximum Rate and Payment Examples” is deleted and replaced with the following:

**Maximum Rate and Payment Examples**

If you had an outstanding balance of \$10,000 during the draw and repayment periods, the minimum payment at the maximum **ANNUAL PERCENTAGE RATE** of 18% would be \$100.00. During the draw period, this Annual Percentage Rate could be reached during January 2019, if your plan includes a special introductory rate, or during the first month, if it does not. During the repayment period, this Annual Percentage Rate could be reached during the first month.

4. The section of the Agreement under the heading “Historical Example” is deleted and replaced with the following:

**Historical Example**

The following table shows how the Annual Percentage Rate and the 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 the first business day of October of each year. While only one payment per year is shown, payments may have varied during each 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 each year. It does not necessarily indicate how the index or your payments will change in the future.

Year	Index	Margin <sup>(1)</sup>	<b>ANNUAL PERCENTAGE RATE</b>	Payment Period	Minimum Payment
2003	4.00	-0.25	1.59% <sup>(2)</sup>	DRAW	\$100.00
2004	4.75	-0.25	4.50% <sup>(3)</sup>	DRAW	\$100.00
2005	6.75	-0.25	6.50%	DRAW	\$100.00
2006	8.25	-0.25	8.00%	DRAW	\$100.00
2007	7.75	-0.25	7.50%	DRAW	\$100.00
2008	5.00	-0.25	4.75%	DRAW	\$100.00
2009	3.25	-0.25	4.50% <sup>(3)</sup>	DRAW	\$100.00
2010	3.25	-0.25	4.50% <sup>(3)</sup>	DRAW	\$100.00
2011	3.25	-0.25	4.50% <sup>(3)</sup>	DRAW	\$100.00
2012	3.25	-0.25	4.50% <sup>(3)</sup>	REPAYMENT	\$100.00
2013	3.25	-0.25	4.50% <sup>(3)</sup>	REPAYMENT	\$100.00
2014	3.25	-0.25	4.50% <sup>(3)</sup>	REPAYMENT	\$100.00
2015	3.25	-0.25	4.50% <sup>(3)</sup>	REPAYMENT	\$ 0.00
2016	3.50	-0.25	4.50% <sup>(3)</sup>	REPAYMENT	\$ 0.00
2017	4.25	-0.25	4.50% <sup>(3)</sup>	REPAYMENT	\$ 0.00

(1) This represents a margin we have recently used.

(2) This represents a special introductory rate we have recently used.

(3) This represents the minimum annual percentage rate, except for during any special introductory rate period.

This Addendum is hereby incorporated into the Important Terms of our Home Equity Line of Credit document. None of the other disclosures in that document are amended by this Addendum.



**BORROWER'S CERTIFICATION & GENERAL AUTHORIZATION**

**CERTIFICATION**

The Undersigned certify the following:

1. I/We have applied for a mortgage loan from CNNICPEG CATHOLIC CREDIT UNION. In applying for the loan; I/We completed a loan application containing various information on the purpose of the loan, the amount and source of the downpayment, employment and income information, and assets and liabilities. I/We hereby certify that all funds to purchase the home was neither a gift nor borrowed. I/We certify that all the information is true and complete. I/We made no misrepresentations in the loan application or other documents, nor did I/We omit any pertinent information.
2. I/We understand and agree that CNNICPEG CATHOLIC CREDIT UNION, its successors or assigns, reserves the right to change the mortgage loan review process to a full documentation program. This may include verifying the information provided on the application with the employer and/or the financial institution.
3. I/We fully understand that it is a Federal crime punishable by fine or imprisonment, or both, to knowingly make any false statements, when applying for this mortgage, as applicable under the provisions of Title 18, United States Code, Section 1014.

**AUTHORIZATION TO RELEASE INFORMATION**

To Whom It May Concern:

1. I/We have applied for a mortgage loan from CNNICPEG CATHOLIC CREDIT UNION. As part of the application process, CNNICPEG CATHOLIC CREDIT UNION, its successors or assigns, any investor or mortgage guaranty insurer (if any) that purchases the mortgage, may verify information contained in my/our loan application and in other documents required in connection with the loan, either before the loan is closed or as part of its quality control program. This authorization will be valid for as long as the loan remains unpaid.
2. I/We authorize you to provide to CNNICPEG CATHOLIC CREDIT UNION, its successors and or assigns, to any investor and mortgage guaranty insurer (if any) to whom CNNICPEG CATHOLIC CREDIT UNION may sell my mortgage, any and all information and documentation that they request. Such information includes, but is not limited to, employment history and income; bank, money market, and similar account balances; credit history; and copies of income tax returns.
3. CNNICPEG CATHOLIC CREDIT UNION or any investor that purchases the mortgage or the mortgage guaranty insurer (if any), its successors and or assigns, may address this authorization to any party named in the loan application.
4. A copy of this authorization may be accepted as an original.
5. Your prompt reply to CNNICPEG CATHOLIC CREDIT UNION the investor that purchased the mortgage, and the mortgage guaranty insurer (if any), is appreciated.
6. Mortgage guaranty insurer (if any): CNNICPEG CATHOLIC CREDIT UNION.
7. I/We hereby authorize the release of information concerning the status and disposition of my/our application to any real estate agent or real estate broker involved in this transaction. If my application is denied or a counter offer is made, the reasons for these actions may be released to such person.

\_\_\_\_\_  
Borrower's Signature

\_\_\_\_\_  
Social Security Number

\_\_\_\_\_  
Date

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Borrower's Signature

\_\_\_\_\_  
Social Security Number

\_\_\_\_\_  
Date

\_\_\_\_\_  
Print Name

## **“Borrower’s Bill of Rights”**

Pursuant to Michigan Public Act 660 of 2002

1. You have the RIGHT to shop for the best loan for you and compare the charges of different mortgage brokers and lenders.
2. You have the RIGHT to be informed about the total cost of your loan including the interest rate, points, and other fees.
3. You have the RIGHT to obtain a “Good Faith Estimate” of all loan and settlement charges before you agree to the loan or pay any fees.
4. You have the RIGHT to know what fees are nonrefundable if you decide to withdraw your loan application.
5. You have the RIGHT to ask your mortgage broker to explain exactly what the mortgage broker will do for you.
6. You have the RIGHT to know how much the mortgage broker is getting paid by you and the lender for your loan.
7. You have the RIGHT to ask questions about charges and loan terms that you do not understand.
8. You have the RIGHT to a credit decision that is not based on your race, color, religion, national origin, sex, marital status, age, or whether any income is derived from public assistance.
9. You have the RIGHT to know the reason if your loan application is turned down.
10. You have the RIGHT to receive the HUD settlement costs booklet “Buying Your Home.”

## **“Consumer Caution and Home Ownership Counseling Notice”**

Pursuant to Michigan Public Act 660 of 2002

If you obtain this loan, the lender will have a mortgage on your home. You could lose your home, and all money you have invested in it, if you do not meet your obligations under the loan, including making all your payments.

Mortgage loans rates and closing costs and fees vary based on many factors, including your particular credit and financial circumstances, your earnings history, the loan-to-value requested, and the type of property that will secure your loan. Higher rates and fees may be applicable depending on the individual circumstances of a particular consumer’s application.

You should shop around and compare loan rates and fees. This particular loan may have a higher rate and total points and fees than other mortgage loans. You should consider consulting a qualified independent credit counselor or other experienced financial advisor regarding the rate, fees and provisions of this mortgage loan before you proceed. For information on contacting a qualified credit counselor, ask your lender or call the United States Department of Housing and Urban Development’s counseling hotline at 1-888-466-3487 for a list of counselors.

You are not required to complete any loan agreement merely because you have received these disclosures or have signed a loan application. If you proceed with this mortgage loan, you should also remember that you may face serious financial risks if you use this loan to pay off credit card debts or other debts in connection with this transaction and then subsequently incur significant new credit card charges or other debts.

Property taxes and homeowner’s insurance are your responsibility. Not all lenders provide escrow services for these payments. You should ask your lender about these services.

Your payments on existing debts contribute to your credit ratings. You should not accept any advice to ignore your regular payments to your existing creditors.

**HUD Counseling Agencies**  
As of May 2011

For additional HUD Counseling Agencies please visit their website at  
[www.HUD.gov](http://www.HUD.gov).

<p><b>Agency Name:</b> GREENPATH, INC.  <b>Phone:</b> 888-860-4167  <b>Toll Free:</b> 888-860-4167  <b>Fax:</b>  <b>Email:</b> housingdepartment@greenpath.com  <b>Address:</b> 5700 Crooks Road  Suite 202  Troy, Michigan 48098  <b>Counseling Services:</b> - Financial Management/Budget Counseling  - Mortgage Delinquency and Default Resolution Counseling  - Non-Delinquency Post Purchase Workshops  - Pre-purchase Counseling  - Pre-purchase Homebuyer Education Workshops  - Rental Housing Counseling  - Services for Homeless Counseling  <b>Languages:</b> - English  <b>Affiliation:</b> GREENPATH, INC. (MSO)  <b>Website:</b> www.greenpath.com</p>	<p><b>Agency Name:</b> MICHIGAN STATE UNIVERSITY EXTENSION SERVICE-  <b>Phone:</b> 734-997-1678  <b>Toll Free:</b>  <b>Fax:</b> 734-222-3990  <b>Email:</b> thelenn@msu.edu  <b>Address:</b> 705 N. Zeeb Road  P.O. Box 8645  Ann Arbor, Michigan 48107-8645  <b>Counseling Services:</b> - Financial Management/Budget Counseling  - Financial, Budgeting and Credit Repair Workshops  - Home Improvement and Rehabilitation Counseling  - Mortgage Delinquency and Default Resolution Counseling  - Non-Delinquency Post Purchase Workshops  - Pre-purchase Counseling  - Pre-purchase Homebuyer Education Workshops  - Predatory Lending Education Workshops  - Resolving/Preventing Mortgage Delinquency Workshops  <b>Languages:</b> - English  <b>Affiliation:</b> MICHIGAN STATE UNIVERSITY EXTENSION SERVICES  <b>Website:</b> n/a</p>
<p><b>Agency Name:</b> MICHIGAN STATE UNIVERSITY EXTENSION SERVICES  <b>Phone:</b> 586-469-5180  <b>Toll Free:</b>  <b>Fax:</b> 586-469-6948  <b>Email:</b>  <b>Address:</b> Verkuilen Bldg.  21885 Dunham Rd., Suite 12  Clinton Twp, Michigan 48036-0000  <b>Counseling Services:</b> - Financial Management/Budget Counseling  - Financial, Budgeting and Credit Repair Workshops  - Home Improvement and Rehabilitation Counseling  - Mortgage Delinquency and Default Resolution Counseling  - Non-Delinquency Post Purchase Workshops  - Pre-purchase Counseling  - Pre-purchase Homebuyer Education Workshops  - Predatory Lending Education Workshops  - Resolving/Preventing Mortgage Delinquency Workshops  <b>Languages:</b> - English  <b>Affiliation:</b> MICHIGAN STATE UNIVERSITY EXTENSION SERVICES  <b>Website:</b> n/a</p>	<p><b>Agency Name:</b> MISSION OF PEACE CDC  <b>Phone:</b> 313-791-3497  <b>Toll Free:</b>  <b>Fax:</b> 313-791-3421  <b>Email:</b> mopc@aol.com  <b>Address:</b> 6045 Fenton Ave  Dearborn Heights, Michigan 48125  <b>Counseling Services:</b> - Fair Housing Pre-Purchase Education Workshops  - Financial Management/Budget Counseling  - Home Improvement and Rehabilitation Counseling  - Mortgage Delinquency and Default Resolution Counseling  - Non-Delinquency Post Purchase Workshops  - Pre-purchase Counseling  - Pre-purchase Homebuyer Education Workshops  - Predatory Lending Education Workshops  - Rental Housing Counseling  - Services for Homeless Counseling  <b>Languages:</b> - English  <b>Affiliation:</b> MISSION OF PEACE  <b>Website:</b> n/a</p>

<p><b>Agency Name:</b> BETHEL HOUSING COUNSELING AGENCY  <b>Phone:</b> 313-833-9912  <b>Toll Free:</b>  <b>Fax:</b> 313-833-5312  <b>Email:</b> bqolfi42898@sbcglobal.net  <b>Address:</b> 5050 St. Antoine Street  Detroit, Michigan 48202  <b>Counseling Services:</b> - Fair Housing Pre-Purchase Education  Workshops  - Financial Management/Budget Counseling  - Mortgage Delinquency and Default Resolution Counseling  - Non-Delinquency Post Purchase Workshops  - Pre-purchase Counseling  - Pre-purchase Homebuyer Education Workshops  - Predatory Lending Education Workshops  <b>Languages:</b> - English  <b>Affiliation:</b>  <b>Website:</b> <a href="http://n/a">http://n/a</a></p>	<p><b>Agency Name:</b> H O P E AMERICA, INC. - A/K/A HELPING ORDINARY PEOPLE EXCEL  <b>Phone:</b> 734-483-5362  <b>Toll Free:</b>  <b>Fax:</b> 734-544-8772  <b>Email:</b> info@hope-america.org  <b>Address:</b> 133 W. Michigan Avenue, Ste. 204  Ypsilanti, Michigan 48197  <b>Counseling Services:</b> - Fair Housing Pre-Purchase Education  Workshops  - Financial Management/Budget Counseling  - Home Improvement and Rehabilitation Counseling  - Mortgage Delinquency and Default Resolution Counseling  - Non-Delinquency Post Purchase Workshops  - Pre-purchase Counseling  - Pre-purchase Homebuyer Education Workshops  - Predatory Lending Education Workshops  <b>Languages:</b> - English  <b>Affiliation:</b>  <b>Website:</b> <a href="http://www.hope-america.org">www.hope-america.org</a></p>
<p><b>Agency Name:</b> CHRISTIAN CREDIT COUNSELORS, INC  <b>Phone:</b> 248-557-8811-100  <b>Toll Free:</b> 800-557-1985  <b>Fax:</b> 248-557-8813  <b>Email:</b> karenk@cccfree.org  <b>Address:</b> 24300 Southfield Road, Ste. 215  Southfield, Michigan 48075  <b>Counseling Services:</b> - Financial Management/Budget Counseling  - Mortgage Delinquency and Default Resolution Counseling  - Pre-purchase Counseling  - Pre-purchase Homebuyer Education Workshops  <b>Languages:</b> - English  <b>Affiliation:</b>  <b>Website:</b> <a href="http://www.iBudget.org">http://www.iBudget.org</a></p>	<p><b>Agency Name:</b> OAKLAND LIVINGSTON HUMAN SERVICE AGENCY  <b>Phone:</b> 248-209-2692  <b>Toll Free:</b>  <b>Fax:</b> 248-209-2645  <b>Email:</b> tamicat@olhsa.org  <b>Address:</b> 196 Cesar E. Chavez Ave.  P.O. Box 430598  Pontiac, Michigan 48343-0598  <b>Counseling Services:</b> - Financial Management/Budget Counseling  - Home Improvement and Rehabilitation Counseling  - Mortgage Delinquency and Default Resolution Counseling  - Non-Delinquency Post Purchase Workshops  - Pre-purchase Counseling  - Pre-purchase Homebuyer Education Workshops  - Rental Housing Counseling  <b>Languages:</b> - English  - Other  - Spanish  <b>Affiliation:</b>  <b>Website:</b> <a href="http://www.olhsa.org">http://www.olhsa.org</a></p>

**ALLIANCE CATHOLIC CREDIT UNION**  
**9300 COOPER ST. TAYLOR, MI 48180**  
**GENERAL DISCLOSURE TO MORTGAGE LOAN APPLICANTS**

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I understand that I must advise ACCU if any of my loan application information later changes.

I understand that the Equal Credit Opportunity Act prohibits creditors from discrimination against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age (if of legal age), because part or all of the applicant's income derives from any public assistance program or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. Income from alimony, separate maintenance or child support need not be revealed, unless I intend to rely on it as a basis for repaying the mortgage loan for which I am applying.

The Federal Agency which administers compliance with this law is; Director, Consumers Affairs Office of Thrift Supervision Washington, D.C. 20552 or the Assistant for Fair Housing and Equal Opportunity Department of Housing and Urban Development Washington, D.C. 20410

I understand that the Fair Housing Act prohibits discrimination in the sale, rental or financing of housing on the basis of race, color, religion, national origin, sex, handicap or familial status. The "Anti-Redlining Law" of MI prohibits discrimination against the ethnic or racial neighborhood makeup or based upon the age of a house.

I have received the "BORROWER'S BILL OF RIGHTS", the "CONSUMER CAUTION AND HOME OWNERSHIP COUNSELING NOTICE" and the "HUD APPROVED HOUSING COUNSELING AGENCIES" as required by Michigan Public Act 660 of 2002.

If applicable, I have received a Variable Rate Program Disclosure.

If applicable, I have received a copy of the booklet which explains what I should know about home equity lines of credit.

I authorize ACCU to exercise its reasonable judgment in releasing my loan application information as it deems necessary. (Such as, but not limited to, credit reporting agencies, mortgage insurers, auditors, regulators and credit union loan officials.)

I understand that ACCU has not committed to make a loan to me. Such a commitment may only be issued after ACCU's receipt and acceptable review of my application and all supporting documents given by me or to be obtained by ACCU. ACCU may rely on other entities to supply or review some or all of my application or supporting documents.

I understand my application or completed loan file may be selected for a quality control audit by ACCU. If my file is selected I understand that ACCU or others will re-verify the truthfulness and accuracy of all information given and collected about my application. We authorize disclosure of financial information for this purpose.

I have no other debts other than those disclosed on the loan application and the payments and balances as stated on the application are correct.

I understand that the origination fee, if collected at the time of our application, may not be refundable and does not guarantee any interest rate, approval or a time frame to close the loan.

I understand that the Credit Report obtained by ACCU is for the exclusive use of the Credit Union.

I understand that I am entitled to a copy of the Appraisal.

I have reviewed our application and all of the information provided, including our current employment and liabilities. It is true, correct and complete. I am aware that providing false information could result in fines, imprisonment, or both.

I have read and understand each of the above certifications and they are all true and correct.

# What you should know about home equity lines of credit



Consumer Financial  
Protection Bureau

January 2014



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

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# 1. Introduction

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

## 1.1 Home equity plan checklist

Ask your lender to help you fill out this worksheet.

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

Basic features for comparison (continued)	Plan A	Plan B
Repayment period		
Initial fees		
Appraisal fee		
Application fee		
Up-front charges, including points		
Closing costs		
Repayment terms		
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	– \$40,000
<b>Potential line of credit</b>	<b>\$35,000</b>

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

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

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

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

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

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

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

### 2.1.1 Variable interest rates

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

### 2.4.1 Disclosures from lenders

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

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

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

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

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

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

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

## APPENDIX A:

# Defined terms

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

### DEFINED TERM

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**ANNUAL  
MEMBERSHIP OR  
MAINTENANCE FEE**

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

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**ANNUAL  
PERCENTAGE RATE  
(APR)**

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

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**APPLICATION FEE**

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

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**BALLOON PAYMENT**

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

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**CAP (INTEREST  
RATE)**

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

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**CLOSING OR SETTLEMENT COSTS**

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

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**CREDIT LIMIT**

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

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**EQUITY**

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

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**INDEX**

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

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**INTEREST RATE**

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

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**MARGIN**

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

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**MINIMUM PAYMENT**

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

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**POINTS (ALSO CALLED DISCOUNT POINTS)**

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

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**SECURITY INTEREST**

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

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**TRANSACTION FEE**

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

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**VARIABLE RATE**

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

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## APPENDIX B:

# More information

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

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

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

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



## APPENDIX C:

# Contact information

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

Regulatory agency	Regulated entities	Contact information
<b>Consumer Financial Protection Bureau (CFPB)</b> P.O. Box 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) <a href="https://consumerfinance.gov">consumerfinance.gov</a> <a href="https://consumerfinance.gov/complaint">consumerfinance.gov/complaint</a>
<b>Board of Governors of the Federal Reserve System (FRB)</b> Consumer Help P.O. Box 1200 Minneapolis, MN 55480	Federally insured state-chartered bank members of the Federal Reserve System	(888) 851-1920 <a href="https://federalreserveconsumerhelp.gov">federalreserveconsumerhelp.gov</a>

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

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

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