



Branch: _____

If you need help completing this application, please contact us

IMPORTANT: Read these Directions before completing this Application. (Check appropriate box)

- If you are applying for individual credit in your own name and are relying on your own income or assets and not the income or assets of another person as the basis for repayment of the credit requested, complete Section **A, C, D, E, and F**.
- If this is an application for joint credit with another person, complete all Sections providing information in **B** about the joint applicant.

We Intend to apply for joint credit _____

Applicant Signature

Co-Applicant Signature

- If you are applying for individual credit, but are relying on income from alimony, child support, or separate maintenance, or on income or assets of another person as the basis for repayment of the credit requested, complete all sections to the extent possible, providing information in B about the person on whose alimony, support, or maintenance payments or income or assets you are relying.

Type of Loan (select 1 or 2)

1. Home Equity Installment Loan (Fixed Rate)

- 5 Year 10 Year 15 Year 20 Year

2. Home Equity Line of Credit (15 Year Repayment Term)

- Variable Fixed

Amount \$ _____ Purpose: _____

NOTE: A \$300 appraisal fee is required for loan applications in excess of \$250,000.00. The minimum new loan amount is \$5,000.00. For the refinancing of an existing loan from Kearny Bank, either an additional \$10,000.00 must be requested or the existing loan must be outstanding for more than one year.

(Section A) Information of Applicant

Last Name	First Name	Middle Initial	Date of Birth			Social Security Number					
			Mo	Day	Year				-		
Address: Number and Street – Apt. No.		City	State	Zip Code	Home Phone Number						
Former Address if less than 2 years at present address		Residency Status <input type="checkbox"/> U.S Citizen <input type="checkbox"/> Resident Alien <input type="checkbox"/> Non-Resident Alien	Marital Status <input type="checkbox"/> Married <input type="checkbox"/> Separated <input type="checkbox"/> Civil Union <input type="checkbox"/> Unmarried (Single, Divorced, Widowed)			Cell Phone Number					
						Email Address:					
Employer Name Check Box if Self-Employed <input type="checkbox"/> (Personal and Business Tax Returns Required)		Position	Salary/Monthly	Years There	Work Telephone						
Employer Address: Number and Street		City	State	Zip Code	Type of Business						
Name and Address of Previous Employer (if less than three years at current employer)			Position	Salary/Monthly	Years There						

Other Income: Note: Alimony, child support and separate maintenance payments need not be listed unless their consideration is desired.

Type _____ \$ _____ Per Month

(Section B) Information of Co-Applicant or Other Party

Last Name	First Name	Middle Initial	Date of Birth			Social Security Number					
			Mo	Day	Year					-	
Address: Number and Street – Apt. No.		City	State		Zip Code		Home Phone Number				
Former Address if less than 2 years at present address	Residency Status <input type="checkbox"/> U.S Citizen <input type="checkbox"/> Resident Alien <input type="checkbox"/> Non-Resident Alien		Marital Status <input type="checkbox"/> Married <input type="checkbox"/> Separated <input type="checkbox"/> Civil Union <input type="checkbox"/> Unmarried (Single, Divorced, Widowed)			Cell Phone Number					
	Email Address										
Employer Name <input type="checkbox"/> Check Box if Self-Employed <input type="checkbox"/> (Personal and Business Tax Returns Required)	Position		Salary/Monthly		Years There		Work Telephone				
Employer Address: Number and Street		City	State		Zip Code		Type of Business				
Name and Address of Previous Employer (if less than three years at current employer)			Position		Salary/Monthly		Years There				
Other Income: Note: Alimony, child support and separate maintenance payments need not be listed unless their consideration is desired.											
Type _____ \$ _____ Per Month											

(Section C) Property Information

Primary Residence: <input type="checkbox"/> Yes <input type="checkbox"/> No		Property Type: <input type="checkbox"/> One Family <input type="checkbox"/> Other <input type="checkbox"/> Condominium <input type="checkbox"/> Townhouse										
Address of Property to be Mortgaged			City	County			State		Zip Code			
Title in the Name of:					Purchase Date		Market Value		Year Built			
First Mortgage Held By: Name and Address			Account Number	Original Amount		Balance		Mortgage Pay't (Excluding Taxes)		Taxes, Insurance & Misc.		
Second Mortgage Held By: Name and Address			Account Number	Original Amount		Balance		Mortgage Pay't (Excluding Taxes)		Taxes, Insurance & Misc.		

(Section D) These Questions Apply to Both Applicant and Co-Applicant

	Applicant: Yes or No	Co-Applicant: Yes or No
Are there any outstanding judgements against you?		
Have you been declared bankrupt within the past 7 years?		
Have you had a property foreclosed on or given title or deed in lieu thereof, in the last 7 years?		
Are you obligated to pay alimony, child support, or separate maintenance?		
Are you a co-maker or endorser on a note?		
Are you a defendant in a lawsuit?		
Do you have any past due obligations owed to or insured by any agency of the federal government?		

(Section E) Credit Obligations of Applicant and Co-Applicant (Place and "X" if to be paid off)

Name of Bank or Creditor	Name in which account is carried	Account #	Original Amount	Balance	Monthly Payment	Pay Off

SCHEDULE OF REAL ESTATE OWNED Property Address (enter S if sold, PS if pending sale or R if rental being held for income)		Present Market Value	Amount of Mortgages & Liens	Gross Rental Income	Mortgage Payments	Insurance, Maintenance, Taxes & Misc.	Net Rental Income
		\$	\$	\$	\$	\$	\$
		\$	\$	\$	\$	\$	\$
		\$	\$	\$	\$	\$	\$
Totals :		\$	\$	\$	\$	\$	\$

Read Before Signing

By signing below, each of the undersigned (1) understands that you are relying on the information contained in this application in deciding to extend credit; (2) certifies to you that all of the information provided in this application is true, correct and complete, (3) agree that you can verify all of the information contained in this application, and (4) authorize you to check my/our credit and employment history and to provide information and answer questions about your credit experience with me/us.

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

KEARNY BANK - NMLS 401080

For Home Equity Lines of Credit (HELOC), please complete only if request is for a purchase or refinance of borrowers' primary residence and the HELOC will be secured by that primary residence. **Demographic Information:** 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, sex, and race) 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 designations for "Ethnicity" 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, sex, and race on the basis of visual observation or surname. The law also provides that we may not discriminate on the basis of age or marital status information you provide in this application. If you do not wish to provide some or all of this information, please check below.

Demographic Information for Borrower

Ethnicity: Check one or more

- Hispanic or Latino
 - Mexican
 - Puerto Rican
 - Cuban
- Other Hispanic or Latino
 Print Origin: _____
For example: Argentinean, Colombian, Dominican, Nicaraguan, Salvadoran, Spaniard, and so on.

- Not Hispanic or Latino
- I do not wish to provide this information

Sex:

- Female
- Male
- I do not wish to provide this information

Race: Check one or more

- American Indian or Alaska Native: *Print name of enrolled or principal tribe:* _____

- Asian
 - Asian Indian
 - Chinese
 - Filipino
 - Japanese
 - Korean
 - Vietnamese

Other Asian – Print race: _____
For example: Hmong, Laotian, Thai, Pakistani, Cambodian, and so on.

- Black or African American
- Native Hawaiian or Other Pacific Islander
 - Native Hawaiian
 - Guamanian or Chamorro
 - Samoan
 - Other Pacific Islander – Print race: _____
For example: Fijian, Tongan, and so on.
- White
- I do not wish to provide this information

To Be Completed by Financial Institution (for application taken in person ONLY):

- Was the ethnicity of the Borrower collected on the basis of visual observation or surname? Yes No
- Was the sex of the Borrower collected on the basis of visual observation or surname? Yes No
- Was the race of the Borrower collected on the basis of visual observation or surname? Yes No

The Demographic Information was provided through:

- Face-to-Face Interview (*includes Electronic Media w/ Video Component*)
- Telephone Interview
- Fax or Mail
- Email or Internet

Demographic Information for Co-Borrower

Ethnicity: Check one or more

- Hispanic or Latino
 - Mexican
 - Puerto Rican
 - Cuban
- Other Hispanic or Latino
 Print Origin: _____
For example: Argentinean, Colombian, Dominican, Nicaraguan, Salvadoran, Spaniard, and so on.

- Not Hispanic or Latino
- I do not wish to provide this information

Sex:

- Female
- Male
- I do not wish to provide this information

Race: Check one or more

- American Indian or Alaska Native: *Print name of enrolled or principal tribe:* _____

- Asian
 - Asian Indian
 - Chinese
 - Filipino
 - Japanese
 - Korean
 - Vietnamese

Other Asian – Print race: _____
For example: Hmong, Laotian, Thai, Pakistani, Cambodian, and so on.

- Black or African American
- Native Hawaiian or Other Pacific Islander
 - Native Hawaiian
 - Guamanian or Chamorro
 - Samoan
 - Other Pacific Islander – Print race: _____
For example: Fijian, Tongan, and so on.
- White
- I do not wish to provide this information

To Be Completed by Financial Institution (for application taken in person ONLY):

- Was the ethnicity of the Borrower collected on the basis of visual observation or surname? Yes No
- Was the sex of the Borrower collected on the basis of visual observation or surname? Yes No
- Was the race of the Borrower collected on the basis of visual observation or surname? Yes No

The Demographic Information was provided through:

- Face-to-Face Interview (*includes Electronic Media w/ Video Component*)
- Telephone Interview
- Fax or Mail
- Email or Internet

EVIDENCE OF JOINT APPLICATION

Lender: Kearny Bank

Regulation B and the Equal Credit Opportunity Act require that a lender obtain evidence of each loan applicant's intent to apply for joint credit before a credit decision can be made. Failure to complete when required will render the application/request for credit incomplete.

If you are applying for joint credit with another person, sign below.

We intend to apply for joint credit.

Dated: _____

Borrower Name

Borrower Signature

Co-Borrower Name

Co-Borrower Signature



AUTHORIZATION TO RELEASE INFORMATION

To Whom it May Concern:

1. I/We have applied for a Home Equity Loan from Kearny Bank. As part of the application process, Kearny Bank may verify information contained in my/our loan application and in other documents in connection with the loan, either before the loan is closed or as part of its quality control program.
2. I/We authorize you to provide Kearny Bank 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 and credit history. Kearny Bank may address this authorization to any party named in the loan application.
3. A COPY OF THIS AUTHORIZATION MAY BE ACCEPTED AS AN ORIGINAL.

Borrower's Name (please print)

Date

Borrower's Signature

Social Security Number

Co-Borrower's Name (please print)

Date

Co-Borrower's Signature

Social Security Number

HOME EQUITY FIXED RATE LINE OF CREDIT DISCLOSURE
IMPORTANT TERMS OF
KEARNY BANK
120 Passaic Avenue
Fairfield, NJ 07004

FIXED RATE HOME EQUITY PLAN

This disclosure contains important information about our Fixed Rate Home Equity Plan. You should read it carefully and keep a copy for your records.

Availability of Terms: All of the terms described below are subject to change before closing.

Annual Percentage Rate: An APR of 6.50% has been in effect within the past twelve months. The rate does not include costs other than interest.

If these terms change and you decide, as a result, not to enter into an agreement with us, you are entitled to a refund of any fees that you have paid to us or anyone else in connection with your application.

The initial agreement permits us to make certain changes to the terms of the Note and Agreement at specified times or upon the occurrence of specified events.

Property Insurance: You must carry insurance on the property that secures this plan (as stated in the Agreement & Note).

Security Interest: You are entering into a transaction which includes a mortgage lien or security interest in your home. Failure to meet agreed upon obligations will cause default which may ultimately lead to the loss of your home.

Possible Actions: We can terminate your line, require you to pay us the entire outstanding balance in one payment, and charge you certain fees if:

- You engage in fraud or material misrepresentation in connection with the line of credit.
- You do not meet the repayment terms.
- Your action or inaction adversely affects the security or our rights in the security.

We can refuse to made additional extensions of credit (freeze) or reduce your credit limit if:

- The value of the dwelling securing the line declines significantly below its appraised value for purposes of the line.
- We reasonably believe you will not be able to meet the repayment requirements due to a material change in your financial circumstances.
- You are in default of a material obligation in the agreement and note, (When your account becomes one month or more delinquent).
- Government action impairs our security interest such that the value of the interest is less than 120 percent of the credit line.
- A regulatory agency has notified us that continued advances would constitute an unsafe and unsound practice.

Minimum Payment Requirements: You must pay the balance on your line of credit over 15 years. During that period, your payments will be due monthly. Your minimum payment will equal 1/180th of the outstanding loan balance existing on the billing date or \$100.00 whichever is more, plus finance charges that have accrued on the remaining balance. **If during the term of your line of credit you make only the required Minimum Payments and do not make additional repayments of principal, the final payment due at maturity will be significantly larger than any previous payment. A maturity notice will be sent to you by the lender at least 90, but not more than 120, days prior to maturity of your Fixed Rate Home Equity Line of Credit. This notice will state the final payment amount and the date payment is due.**

Minimum Payment Example: It would take 8 years 4 months to pay off a balance of \$10,000 at an ANNUAL PERCENTAGE RATE of 6.50%. During that period, you would make 100 monthly payments varying between \$153.08 and \$100.53.

Fees and Charges: To open and maintain a line of credit, you may have to pay us the following fees:

<u>Description of Fee:</u>	<u>Amount of Fee:</u>	<u>When Fee is due:</u>
Application Fee	<u>\$0.00</u>	<u>NA</u>
Points	<u>0</u>	<u>NA</u>
Annual Maintenance Fee	<u>\$0.00</u>	<u>NA</u>
Commitment Fee	<u>\$195.00</u>	<u>Closing</u>
Other – Appraisal Fee for a loan amount over \$250,000	<u>\$300.00</u>	<u>Application</u>

Minimum Draw Requirement: The minimum credit advance that you can receive is \$500.00

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

By signing below I/We attest to receiving a copy of this form.

_____ L.S.
 Borrower

_____ L.S.
 Borrower

Date: _____

HOME EQUITY LINE OF CREDIT DISCLOSURE
IMPORTANT TERMS OF

Kearny Bank
120 Passaic Avenue
Fairfield, NJ 07004

HOME EQUITY PLAN

This disclosure contains important information about our Home Equity Plan. You should read it carefully and keep a copy for your records.

Availability of Terms: All the terms described below are subject to change before closing.

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

Property Insurance: You must carry insurance on the property that secures this plan (as stated in the Agreement and Note).

Security Interest: You are entering into a transaction which includes a mortgage lien or security interest in your home. Failure to meet agreed upon obligations will cause default which may ultimately lead to the loss of your home.

Possible Actions: We can terminate your line, require you to pay us the entire outstanding balance in one payment, and charge you certain fees if:

- You engage in fraud or material misrepresentation in connection with the line of credit.
- You do not meet the repayment terms.
- Your action or inaction adversely affects the security of our right in the security.

We can refuse to make additional extensions of credit (freeze) or reduce your credit limit if:

- The value of the dwelling securing the line declines significantly below its appraised value for purposes of the line.
- We reasonably believe you will not be able to meet the repayment requirements due to a material change in your financial circumstances.
- You are in default of a material obligation in the agreement and note. (When your account becomes one month or more delinquent).
- Government action prevents us from imposing the annual percentage rate provided for or impairs our security interest such that the value of the interest is less than 120 percent of the credit line.
- A regulatory agency has notified us that continued advances would constitute an unsafe and unsound practice.
- The maximum annual percentage rate is reached.

The initial agreement permits us to make certain changes to the terms of the Note and Agreement at specified times or upon the occurrence of specified events.

Minimum Payment Requirements: You must pay the balance on your line of credit over 15 years. During that period, your payments will be due monthly. Your minimum monthly payment will equal 1/180th of the outstanding loan balance existing on the billing date or \$100.00 whichever is more, plus finance charges that have accrued on the remaining balance. If during the term of your line of credit you make only the required Minimum Payments and do not make additional repayments of principal, the final payment due at maturity will be significantly larger than any previous payment.

Minimum Payment Example: It would take (8) eight years and (4) four months to pay off a balance of \$10,000 at an **ANNUAL PERCENTAGE RATE** of **4.25%. During that period, you would make (100) one hundred monthly payments varying between \$136.10 and \$100.36.

Fees and Charges: To open and maintain a line of credit, you may have to pay us the following fees:

<u>Description of Fee:</u>	<u>Amount of Fee:</u>	<u>When fee is due:</u>
Application Fee	<u>NA</u>	<u>NA</u>
Points	<u>NA</u>	<u>NA</u>
Annual maintenance Fee	<u>NA</u>	<u>NA</u>
Other - Commitment Fee	<u>\$195.00</u>	<u>Closing</u>
Other – Appraisal Fee for a loan amount over \$250,000.	<u>\$300.00</u>	<u>Application</u>

Minimum Draw Requirement: The minimum credit advance that you can receive is \$500.00.

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

Variable-Rate Information: The line of credit has a variable-rate feature, and the annual percentage rate (corresponding to the periodic rate) and the minimum payment can change as a result. Please refer to the booklet entitled "What You Should Know About Home Equity Lines of Credit" for further information. 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 published in the "Wall Street Journal" Money Rates table on the last Business day of each month. To determine the annual percentage rate that will apply, we add a margin of One Percent (1%) to the value of the index. Prime (+) 1%.

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

Rate Changes: The annual percentage rate can change each month. The initial annual percentage rate is based on the index and margin used to make later rate adjustments. There is no limit on the amount by which the rate can change in any one-year period. **The MAXIMUM ANNUAL PERCENTAGE RATE that can apply is 18%, The MINIMUM ANNUAL PERCENTAGE RATE (FLOOR) is 4.25%.**

Maximum Rate and Payment Example: If you had an initial balance of \$10,000, the minimum monthly payment at the MAXIMUM ANNUAL PERCENTAGE RATE of 18% would be \$252.88. This annual percentage rate could be reached during **The First Month.**

Historical Example: The following table shows how the annual percentage rate and the minimum monthly payments for a starting balance of \$10,000 would have changed based on changes in the index over the past (15) fifteen years. The index values are from the last business day in January of each year. While only one payment amount per year is shown, payments would have varied during each year. This table does not necessarily indicate how the index or your payments will change in the future. This table further assumes that no additional credit advances were taken and that only the minimum payments were made during each month.

Year	Index	Margin*	Annual Percentage Rate	Minimum Payment
	(%)	(%)	(%)	(&)
2007	8.25	(.50)	7.75**	165.82
2008	6.00	(.50)	7.75**	157.92
2009	3.25	(.50)	7.75**	150.02
2010	3.25	(.50)	7.75**	142.13
2011	3.25	(.50)	7.75**	134.23
2012	3.25	(.50)	7.75**	126.33
2013	3.25	(.50)	7.75**	118.43
2014	3.25	(.50)	7.75**	110.53
2015	3.25	(.50)	7.75**	102.63
2016	3.50	(.50)	7.75**	
2017	3.75	(.50)	7.75**	
2018	4.50	(.50)	7.75**	
2019	5.50	(.50)	7.75**	
2020	4.75	(.50)	7.75**	
2021	3.25	(0.00)	7.75*	

* This is a margin we have used recently: Your margin may be different.

** This represents the floor rate of 7.75% which was in effect on the last business day of January, 2007

By signing below I/We attest to receiving a copy of both pages of this form.

Borrower

L.S.

Borrower

L.S.

Date: _____

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

Table of contents

Table of contents	3
1. Introduction	4
1.1 Home equity plan checklist	4
2. What is a home equity line of credit?	6
2.1 What should you look for when shopping for a plan?	7
2.2 Costs of establishing and maintaining a home equity line	8
2.3 How will you repay your home equity plan?.....	9
2.4 Line of credit vs. traditional second mortgage loans	10
2.5 What if the lender freezes or reduces your line of credit?	11
Appendix A:	12
Defined terms	12
Appendix B:	15
More information	15
Appendix C:	16
Contact information	16

1. Introduction

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

1.1 Home equity plan checklist

Ask your lender to help you fill out this worksheet.

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

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
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 entities	Contact information
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, debt collection, consumer reports, prepaid cards, private education loans, and payday lending	(855) 411-CFPB (2372) consumerfinance.gov 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 federalreserveconsumerhelp.gov

Regulatory agency	Regulated entities	Contact information
<p>Office of the Comptroller of the Currency (OCC) 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 occ.treas.gov helpwithmybank.gov</p>
<p>Federal Deposit Insurance Corporation (FDIC) 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 fdic.gov fdic.gov/consumers</p>
<p>Federal Housing Finance Agency (FHFA) Consumer Communications 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 fhfa.gov fhfa.gov/Default.aspx?Page=369 ConsumerHelp@fhfa.gov</p>
<p>National Credit Union Administration (NCUA) Consumer Assistance 1775 Duke Street Alexandria, VA 22314</p>	<p>Federally chartered credit unions</p>	<p>(800) 755-1030 ncua.gov mycreditunion.gov</p>
<p>Federal Trade Commission (FTC) 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 ftc.gov ftc.gov/bcp</p>

Regulatory agency	Regulated entities	Contact information
<p>Securities and Exchange Commission (SEC) 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 sec.gov sec.gov/complaint/select.shtml</p>
<p>Farm Credit Administration Office of Congressional and Public Affairs 1501 Farm Credit Drive McLean, VA 22102</p>	<p>Agricultural lenders</p>	<p>(703) 883-4056 fca.gov</p>
<p>Small Business Administration (SBA) Consumer Affairs 409 3rd Street, S.W. Washington, DC 20416</p>	<p>Small business lenders</p>	<p>(800) U-ASK-SBA or (800) 827-5722 sba.gov</p>
<p>Commodity Futures Trading Commission (CFTC) 1155 21st Street, N.W. Washington, DC 20581</p>	<p>Commodity brokers, commodity trading advisers, commodity pools, and introducing brokers</p>	<p>(866) 366-2382 cftc.gov/ConsumerProtection/index.htm</p>

Regulatory agency	Regulated entities	Contact information
<p>U.S. Department of Justice (DOJ) 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 fairhousing@usdoj.gov</p>
<p>Department of Housing and Urban Development (HUD) Office of Fair Housing/Equal Opportunity 451 7th Street, S.W. Washington, DC 20410</p>	<p>Fair lending and housing issues</p>	<p>(800) 669-9777 hud.gov/complaints</p>