

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 refinance 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 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

KEARNY BANK
120 Passaic Avenue
Fairfield, NJ 07004

IMPORTANT TERMS OF OUR
FIXED RATE HOME EQUITY LINE OF CREDIT (HELOC) APPLICATION DISCLOSURE

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 8.25% 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 actions prevents us from imposing the **Annual Percentage Rate** provided for in our agreement.
- 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.
- The maximum **Annual Percentage Rate** is reached

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 8.25%. During that period, you would make (100) one hundred monthly payments varying between \$170.07 and \$100.70.

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	\$0.00	NA
Points	0	NA
Annual Maintenance Fee	\$0.00	NA
Commitment Fee	\$195.00	Closing
Other – Appraisal Fee for a loan amount over \$250,000	\$300.00	Application

Homeowners Insurance: You must carry insurance on the property that secures this line of credit.

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.

Borrower

Borrower

Date:_____

KEARNY BANK
120 Passaic Avenue
Fairfield, NJ 07004

IMPORTANT TERMS OF OUR
HOME EQUITY LINE OF CREDIT (HELOC) APPLICATION DISCLOSURE

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 actions prevents us from imposing the **Annual Percentage Rate** provided for in our agreement
- Government action prevents us from imposing the annual percentage rate provided for or impairs our security interest such that the value of the interest is less than 120 percent of the credit line.
- A regulatory agency has notified us that continued advances would constitute an unsafe and unsound practice.
- The maximum annual percentage rate is reached.

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 ****9.50%**. During that period, you would make (100) one hundred monthly payments varying between \$180.68 and \$100.81.

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

<i>Description of Fee:</i>	<i>Amount of Fee:</i>	<i>When fee is due:</i>
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 9.50%.**

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
	(%)	(%)	(%)	(&)
2009	3.25	(.50)	5.00**	142.47
2010	3.25	(.50)	5.00**	137.37
2011	3.25	(.50)	5.00**	132.27
2012	3.25	(.50)	5.00**	127.18
2013	3.25	(.50)	5.00**	122.08
2014	3.25	(.50)	5.00**	116.99
2015	3.25	(.50)	5.00**	111.89
2016	3.50	(.50)	5.00**	106.79
2017	3.75	(.50)	5.00**	101.70
2018	4.50	(.50)	5.00**	
2019	5.50	(.50)	5.00**	
2020	4.75	(.50)	5.00**	
2021	3.25	0.00	5.00**	
2022	3.25	1.00	5.00**	
2023	7.50	1.00	8.50	

* This is a margin we have used recently: Your margin may be different.
** This represents the floor rate of 5.00% which was in effect on the last business day of January 2009

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

_____. Borrower

Date: _____

WHAT YOU SHOULD KNOW ABOUT

Home Equity Lines of Credit (HELOC)

Borrowing from the
value of your home



Consumer Financial
Protection Bureau



An official publication of the U.S. government

How to use the booklet

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

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

About the CFPB

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

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

How can this booklet help you?

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

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

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

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

After you finish this booklet:

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

Compare a HELOC to other money sources

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

TIP

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

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

Compare a HELOC to other money sources

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

How HELOCs work

PREPARE FOR UP-FRONT COSTS

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

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

PULL MONEY FROM YOUR LINE OF CREDIT

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

MAKE REPAYMENTS DURING THE "DRAW PERIOD"

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

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

ENTER THE "REPAYMENT PERIOD"

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

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

RENEW OR CLOSE OUT THE LINE OF CREDIT

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

TIP

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

**GET THREE HELOC ESTIMATES**

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

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



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

How variable interest rates work

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

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

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

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

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

Rights and responsibilities

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

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

- Annual fees
- Miscellaneous charges

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

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

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

Right to cancel (also called right to rescind)

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

TIP

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

If something changes during the course of the loan

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

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



WELL DONE!

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

In this booklet:

ASK YOURSELF

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

Have I shopped around for HELOC features and fees?

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

ONLINE TOOLS

CFPB website
cfpb.gov

Answers to common questions
cfpb.gov/askcfpb

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

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

Submit a complaint
cfpb.gov/complaint