



PO Box 618
Kenilworth, NJ 07033

APPLICATION

There are costs associated with the use of a credit card. Information about costs, rates, and fees may be contained in disclosures provided with this application or by calling us toll-free or collect at _____ or writing to us at the address stated on this application.

Check below to indicate the type of credit for which you are applying. Married Applicants may apply for a separate account.

Individual Credit: You must complete the Applicant section about yourself and the Other section about your spouse if

- you live in or the property pledged as collateral is located in a community property state (AK, AZ, CA, ID, LA, NM, NV, TX, WA, WI)
- your spouse will use the account, or
- you are relying on your spouse's income as a basis for repayment. If you are relying on income from alimony, child support, or separate maintenance, complete the Other section to the extent possible about the person on whose payments you are relying.

Joint Credit: Each Applicant must **individually** complete appropriate section below. If Co-Applicant is spouse of the Applicant, mark the Co-Applicant box.

Account/Loan: Individual Joint

Credit Card Account: Individual Joint

If this is an application for joint credit, Applicant and Co-Applicant each agree and acknowledge the intent to apply for joint credit (sign below):

| | |
|---------------------|--------|
| Applicant Signature | Date |
| X | (Seal) |

| | |
|------------------------|--------|
| Co-Applicant Signature | Date |
| X | (Seal) |

Amount Requested \$
Purpose/Collateral:

Credit Limit Requested \$
If Authorized User, Name:

APPLICANT

| | | |
|---|--|---------------------|
| NAME (Last - First - Initial) | | |
| ACCOUNT NUMBER | SOCIAL SECURITY NUMBER/INDIVIDUAL TAX ID NUMBER | |
| BIRTH DATE | EMAIL ADDRESS | |
| HOME PHONE | CELL PHONE | BUSINESS PHONE/EXT. |
| DRIVER'S LICENSE NUMBER/STATE | AGES OF DEPENDENTS | |
| PRESENT ADDRESS (Street - City - State - Zip) | <input type="checkbox"/> OWN <input type="checkbox"/> RENT | LENGTH AT RESIDENCE |
| PREVIOUS ADDRESS (Street - City - State - Zip) | <input type="checkbox"/> OWN <input type="checkbox"/> RENT | LENGTH AT RESIDENCE |
| MORTGAGE/RENT OWED TO | | |
| MORTGAGE BALANCE \$ | MONTHLY PAYMENT \$ | INTEREST RATE % |
| COMPLETE FOR JOINT CREDIT, SECURED CREDIT OR IF YOU LIVE IN A COMMUNITY PROPERTY STATE: <input type="checkbox"/> MARRIED <input type="checkbox"/> SEPARATED <input type="checkbox"/> UNMARRIED (Single - Divorced - Widowed) | | |

OTHER CO-APPLICANT SPOUSE GUARANTOR OTHER

| | | |
|---|--|---------------------|
| NAME (Last - First - Initial) | | |
| ACCOUNT NUMBER | SOCIAL SECURITY NUMBER/INDIVIDUAL TAX ID NUMBER | |
| BIRTH DATE | EMAIL ADDRESS | |
| HOME PHONE | CELL PHONE | BUSINESS PHONE/EXT. |
| DRIVER'S LICENSE NUMBER/STATE | AGES OF DEPENDENTS | |
| PRESENT ADDRESS (Street - City - State - Zip) | <input type="checkbox"/> OWN <input type="checkbox"/> RENT | LENGTH AT RESIDENCE |
| PREVIOUS ADDRESS (Street - City - State - Zip) | <input type="checkbox"/> OWN <input type="checkbox"/> RENT | LENGTH AT RESIDENCE |
| MORTGAGE/RENT OWED TO | | |
| MORTGAGE BALANCE \$ | MONTHLY PAYMENT \$ | INTEREST RATE % |
| COMPLETE FOR JOINT CREDIT, SECURED CREDIT OR IF YOU LIVE IN A COMMUNITY PROPERTY STATE: <input type="checkbox"/> MARRIED <input type="checkbox"/> SEPARATED <input type="checkbox"/> UNMARRIED (Single - Divorced - Widowed) | | |

EMPLOYMENT/INCOME

| | |
|---|---------------------|
| EMPLOYMENT STATUS <input type="checkbox"/> FULL TIME <input type="checkbox"/> PART TIME | HOURS PER WEEK |
| START DATE: | |
| NAME AND ADDRESS OF EMPLOYER | |
| NOTICE: ALIMONY, CHILD SUPPORT, OR SEPARATE MAINTENANCE INCOME NEED NOT BE REVEALED IF YOU DO NOT CHOOSE TO HAVE IT CONSIDERED. | |
| EMPLOYMENT INCOME PER \$ | OTHER INCOME PER \$ |
| TITLE/GRADE | SOURCE |
| PREVIOUS EMPLOYER NAME AND ADDRESS IF EMPLOYED LESS THAN TWO YEARS | |
| STARTING DATE | ENDING DATE |
| MILITARY: IS DUTY STATION TRANSFER EXPECTED DURING NEXT YEAR? <input type="checkbox"/> YES <input type="checkbox"/> NO WHERE _____ ENDING/SEPARATION DATE _____ | |

EMPLOYMENT/INCOME

| | |
|---|---------------------|
| EMPLOYMENT STATUS <input type="checkbox"/> FULL TIME <input type="checkbox"/> PART TIME | HOURS PER WEEK |
| START DATE: | |
| NAME AND ADDRESS OF EMPLOYER | |
| NOTICE: ALIMONY, CHILD SUPPORT, OR SEPARATE MAINTENANCE INCOME NEED NOT BE REVEALED IF YOU DO NOT CHOOSE TO HAVE IT CONSIDERED. | |
| EMPLOYMENT INCOME PER \$ | OTHER INCOME PER \$ |
| TITLE/GRADE | SOURCE |
| PREVIOUS EMPLOYER NAME AND ADDRESS IF EMPLOYED LESS THAN TWO YEARS | |
| STARTING DATE | ENDING DATE |
| MILITARY: IS DUTY STATION TRANSFER EXPECTED DURING NEXT YEAR? <input type="checkbox"/> YES <input type="checkbox"/> NO WHERE _____ ENDING/SEPARATION DATE _____ | |

| REFERENCE | | REFERENCE | |
|--|------------|--|------------|
| NAME AND ADDRESS OF NEAREST RELATIVE NOT LIVING WITH YOU | | NAME AND ADDRESS OF NEAREST RELATIVE NOT LIVING WITH YOU | |
| RELATIONSHIP | HOME PHONE | RELATIONSHIP | HOME PHONE |

| WHAT YOU OWE | | | | | | |
|--|---|---------------|-----------------|-----------------|--------------------------|--------------------------|
| DEBT | CREDITOR NAME OTHER THAN THIS CREDIT UNION (Attach additional sheet(s) if necessary) | INTEREST RATE | PRESENT BALANCE | MONTHLY PAYMENT | OWED BY | |
| | | | | | APPLICANT | OTHER |
| <input type="checkbox"/> RENT | | % | \$ | \$ | <input type="checkbox"/> | <input type="checkbox"/> |
| <input type="checkbox"/> FIRST MORTGAGE (Incl. Tax & Ins.) | | % | \$ | \$ | <input type="checkbox"/> | <input type="checkbox"/> |
| | | % | \$ | \$ | <input type="checkbox"/> | <input type="checkbox"/> |
| | | % | \$ | \$ | <input type="checkbox"/> | <input type="checkbox"/> |
| | | % | \$ | \$ | <input type="checkbox"/> | <input type="checkbox"/> |
| | | % | \$ | \$ | <input type="checkbox"/> | <input type="checkbox"/> |
| | | % | \$ | \$ | <input type="checkbox"/> | <input type="checkbox"/> |
| | | % | \$ | \$ | <input type="checkbox"/> | <input type="checkbox"/> |
| | | % | \$ | \$ | <input type="checkbox"/> | <input type="checkbox"/> |
| | | % | \$ | \$ | <input type="checkbox"/> | <input type="checkbox"/> |
| | | % | \$ | \$ | <input type="checkbox"/> | <input type="checkbox"/> |
| | | % | \$ | \$ | <input type="checkbox"/> | <input type="checkbox"/> |
| LIST ANY NAMES UNDER WHICH YOUR CREDIT REFERENCES AND CREDIT HISTORY CAN BE CHECKED: | | | TOTALS | \$ | \$ | |

| WHAT YOU OWN | | | | | | |
|-------------------|--|--------------|--|-----------------------------|--------------------------|--------------------------|
| ASSET DESCRIPTION | LIST LOCATION OF PROPERTY OR FINANCIAL INSTITUTION | MARKET VALUE | PLEGGED AS COLLATERAL FOR ANOTHER LOAN | | OWNED BY | |
| | | | | | APPLICANT | OTHER |
| | | \$ | <input type="checkbox"/> YES | <input type="checkbox"/> NO | <input type="checkbox"/> | <input type="checkbox"/> |
| | | \$ | <input type="checkbox"/> YES | <input type="checkbox"/> NO | <input type="checkbox"/> | <input type="checkbox"/> |
| | | \$ | <input type="checkbox"/> YES | <input type="checkbox"/> NO | <input type="checkbox"/> | <input type="checkbox"/> |
| | | \$ | <input type="checkbox"/> YES | <input type="checkbox"/> NO | <input type="checkbox"/> | <input type="checkbox"/> |
| | | \$ | <input type="checkbox"/> YES | <input type="checkbox"/> NO | <input type="checkbox"/> | <input type="checkbox"/> |
| | | \$ | <input type="checkbox"/> YES | <input type="checkbox"/> NO | <input type="checkbox"/> | <input type="checkbox"/> |
| | | \$ | <input type="checkbox"/> YES | <input type="checkbox"/> NO | <input type="checkbox"/> | <input type="checkbox"/> |

| OTHER INFORMATION ABOUT YOU | IF YOU ANSWER "YES" (BY CHECKING THE BOX) TO ANY QUESTION OTHER THAN #1, EXPLAIN ON AN ATTACHED SHEET | APPLICANT | OTHER |
|---|---|--------------------------|--------------------------|
| 1. ARE YOU A U.S. CITIZEN OR PERMANENT RESIDENT ALIEN? | | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. DO YOU CURRENTLY HAVE ANY OUTSTANDING JUDGMENTS OR HAVE YOU EVER FILED FOR BANKRUPTCY, HAD A DEBT ADJUSTMENT PLAN CONFIRMED UNDER CHAPTER 13, HAD PROPERTY FORECLOSED UPON OR REPOSSESSED IN THE LAST SEVEN YEARS, OR BEEN A PARTY IN A LAWSUIT? | | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. IS YOUR INCOME LIKELY TO DECLINE IN THE NEXT TWO YEARS? | | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. ARE YOU A CO-MAKER, CO-SIGNER OR GUARANTOR ON ANY LOAN NOT LISTED ABOVE? FOR WHOM (Name of Others Obligated on Loan): | | <input type="checkbox"/> | <input type="checkbox"/> |
| TO WHOM (Name of Creditor): | | | |

STATE LAW NOTICE(S)

Notice to Nebraska Residents: A credit agreement must be in writing to be enforceable under Nebraska law. To protect you and us from any misunderstandings or disappointments, any contract, promise, undertaking, or offer to forebear repayment of money or to make any other financial accommodation in connection with this loan of money or grant or extension of credit, or any amendment of, cancellation of, waiver of, or substitution for any or all of the terms or provisions of any instrument or document executed in connection with this loan of money or grant or extension of credit, must be in writing to be effective.

Notice to New York Residents: New York residents may contact the New York State Department of Financial Services to obtain a comparative listing of credit card rates, fees, and grace periods. New York State Department of Financial Services: 1-800-342-3736 or www.dfs.ny.gov.

Notice to Ohio Residents: The Ohio laws against discrimination require that all creditors make credit equally available to all creditworthy customers, and that credit reporting agencies maintain separate credit histories on each individual upon request. The Ohio Civil Rights Commission administers compliance with this law.

Notice to Wisconsin Residents: (1) No provision of any marital property agreement, unilateral statement under Section 766.59, or court decree under Section 766.70 will adversely affect the rights of the Credit Union unless the Credit Union is furnished a copy of the agreement, statement or decree, or has actual knowledge of its terms, before the credit is granted or the account is opened. (2) Please sign if you are not applying for this account or loan with your spouse. The credit being applied for, if granted, will be incurred in the interest of the marriage or family of the undersigned.

| | |
|--|--------|
| Signature for Wisconsin Residents Only | Date |
| X | (Seal) |

CREDIT CARD CONSENSUAL SECURITY INTEREST

You grant us a security interest in all individual and joint share and/or deposit accounts you have with us now and in the future to secure your credit card account. Shares and deposits in an IRA or any other account that would lose special tax treatment under state or federal law if given as security are not subject to the security interest you have given in your shares and deposits. You may withdraw these other shares unless you are in default. When you are in default, you authorize us to apply the balance in these accounts to any amounts due. For example, if you have an unpaid credit card balance, you agree we may use funds in your account(s) to pay any or all of the unpaid balance.

By signing or otherwise authenticating below, you are affirmatively agreeing that you are aware that granting a security interest is a condition for the credit card and you intend to grant a security interest.

| | |
|--|--------|
| Consensual Security Interest Acknowledgement and Agreement | Date |
| X | (Seal) |

| | |
|--|--------|
| Consensual Security Interest Acknowledgement and Agreement | Date |
| X | (Seal) |

SIGNATURES

By signing or otherwise authenticating below:

1. You promise that everything you have stated in this application is correct to the best of your knowledge, and that the above information is a complete listing of what you owe. If there are any important changes you will notify us in writing immediately. You authorize the Credit Union to obtain credit reports in connection with this application for credit and for any update, increase, renewal, extension, or collection of the credit received and for other accounts, products, or services we may offer you or for which you may qualify. You understand that the Credit Union will rely on the information in this application and your credit report to make its decision. If you request, the Credit Union will tell you the name and address of any credit bureau from which it received a credit report on you. It is a crime to willfully and deliberately provide incomplete or incorrect information in this application.
2. If you are applying for a credit card, you understand that the use of your card will constitute acknowledgment of receipt and agreement to the terms of the Consumer Credit Card Agreement and Disclosure.

| | |
|-----------------------|--------|
| Applicant's Signature | Date |
| X | (Seal) |

| | |
|-----------------|--------|
| Other Signature | Date |
| X | (Seal) |

CREDIT UNION USE ONLY

| | | | | | |
|------|--|----------------------------|----------------|-------------|-------|
| DATE | <input type="checkbox"/> APPROVED | APPROVED LIMITS: SIGNATURE | LINE OF CREDIT | CREDIT CARD | OTHER |
| | <input type="checkbox"/> DECLINED <small>(Adverse Action Notice Sent)</small> | \$ | \$ | \$ | \$ |
| | | DEBT RATIO/SCORE: BEFORE | AFTER | | |

LOAN OFFICER COMMENTS:

| | |
|---|--------|
| Credit Committee or Loan Officer Signatures | Date |
| X | (Seal) |

| | |
|---|--------|
| Credit Committee or Loan Officer Signatures | Date |
| X | (Seal) |

Home Equity Early Disclosure

IMPORTANT TERMS OF OUR HOME EQUITY LINE OF CREDIT PLAN

This disclosure contains important information about our Home Equity Line of Credit 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. 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 pay to us or anyone else in connection with your application.

SECURITY INTEREST: We will take a security interest in your home. You could lose your home if you do not meet the obligations in your agreement with us.

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 (1) you engage in fraud or material misrepresentation in connection with the plan; (2) you do not meet the repayment terms of this plan, or (3) your action or inaction adversely affects the collateral or our rights in the collateral.

We can refuse to make additional extensions of credit or reduce your credit limit if (1) any reasons mentioned above exist; (2) the value of the dwelling securing the line declines significantly below its appraised value for purposes of the line; (3) we reasonably believe that you will not be able to meet the repayment requirements due to a material change in your financial circumstances; (4) you are in default of a material obligation of the agreement; (5) government action prevents us from imposing the annual percentage rate provided for in the agreement; (6) the priority of our security interest is adversely affected by government action to the extent that the value of the security interest is less than 120 percent of the credit line; (7) a regulatory agency has notified us that continued advances would constitute an unsafe and unsound business practice, or (8) the maximum annual percentage rate is reached.

MINIMUM PAYMENT REQUIREMENTS: You can obtain credit advances for 10 years. This period is called the "draw period." At our option, we may renew or extend the draw period. After the draw period ends the repayment period will begin. The length of the repayment period will depend on the balance at the time of the last advance you obtain before the draw period ends. You will be required to make monthly payments during both the draw and repayment periods. At the time you obtain a credit advance a payoff period of 180 monthly payments will be used to calculate your payment.

The payoff period will always be the shorter of the payoff period for your outstanding balance or the time remaining to the maturity date. Your payment will be set to repay the balance after the advance, at the current annual percentage rate, within the payoff period. Your payment will remain the same unless you obtain another credit advance. Your payment may also change if the annual percentage rate increases. Each time the annual percentage rate increases, we will review the effect the increase has had on your plan. If the annual percentage rate has increased so much that your payment is not sufficient to repay the balance within the payoff period, we will adjust your payment to repay the balance within the original payoff period. Your payment will include any amounts past due and any amount

by which you have exceeded your credit limit, and all other charges. Your payment will never be less than the smaller of \$50.00, or the full amount that you owe.

FEES AND CHARGES: In order to open, use and maintain a line of credit plan, you must pay the following fees to us:

Dormancy Fee: \$25.00 (Due annually when no activity occurs during the year) This fee is considered **FINANCE CHARGE**

You must pay certain fees to third parties to open the plan. These fees generally total between \$400.00 and \$800.00. The credit union may pay these third party fees on your behalf. If we do, and you close your home equity line of credit within 24 months, you agree to reimburse the credit union for the bona fide third party fees paid on your behalf. Please ask for an itemization of these fees.

If you need a remote closing, an additional remote closing fee of \$175.00 will be charged. For credit limits over \$400,000.00, a full appraisal is required. Appraisal costs range between \$490.00 - \$755.00. Both the remote closing fee and the full appraisal, if needed are responsibilities of the borrower.

MINIMUM PAYMENT EXAMPLE: If you made only the minimum monthly payment and took no other credit advances it would take 15 years to pay off a credit advance of \$10,000 at an **ANNUAL PERCENTAGE RATE** of 9.5%. During that period, you would make 179 payments of \$104.46 and one (1) final payment of \$101.85.

PROPERTY INSURANCE: You must carry insurance on the property that secures this plan. If the property is located in a Special Flood Hazard Area we will require you to obtain flood insurance if it is available.

REFUNDABILITY OF FEES: If you decide not to enter into this plan within three business days of receiving this disclosure and the home equity brochure, you are entitled to a refund of any fee you may have already paid.

TRANSACTION REQUIREMENTS: The minimum credit advance that you can receive is \$500.00 for the first advance and \$500.00 for each subsequent advance. To qualify for the initial discount rate you must obtain an initial advance of \$25,000.00 or more.

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

VARIABLE RATE FEATURE: This plan has a variable rate feature and the annual percentage rate (corresponding to the periodic rate) and the minimum payment may 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 Prime Rate published in the Money Rates column of the Wall Street Journal. When a range of rates has been published the highest rate will be used. We will use the most recent index value available to us as of 10 days before the date of any annual percentage rate adjustment.

To determine the annual percentage rate that will apply to your account, we add a margin to the value of the Index. The initial annual percentage

rate may be “discounted” – it is not based on the index and margin used for later rate adjustments. The initial rate, if applicable, will be in effect for 6 months. If the rate is not already rounded we then round up to the next .125%.

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

RATE CHANGES: The annual percentage rate can change on the first day of each month. The rate cannot increase or decrease more than 2.0 percentage points at each adjustment. The maximum **ANNUAL PERCENTAGE RATE** that can apply is 18.0% or the maximum permitted by law, whichever is less. However, under no circumstances will your **ANNUAL PERCENTAGE RATE** go below 3.0% during the term of the plan.

MAXIMUM RATE AND PAYMENT EXAMPLES: If you had an outstanding balance of \$10,000, the minimum payment at the maximum **ANNUAL PERCENTAGE RATE** of 18.0% would be \$161.11. This annual percentage rate could be reached at the time of the 11th payment if an

initial discount rate is applicable and the 5th payment if an initial discount rate is not applicable.

MARGIN: The margin you receive will be based on your Loan to Value (LTV) and your overall credit worthiness. We have used a representative margin of 1.0% within the payment examples found on this disclosure. Please ask us about your qualifying margin.

HISTORICAL EXAMPLE: The following table shows how the annual percentage rate and the minimum 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 last business day of January 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.

WALL STREET JOURNAL PRIME RATE INDEX TABLE WITH DISCOUNT

| Year (as of the last business day of January) | Index (Percent) | Margin ⁽¹⁾ (Percent) | ANNUAL PERCENTAGE RATE | Monthly Payment (Dollars) |
|---|-----------------|---------------------------------|------------------------|---------------------------|
| 2010..... | 3.250 | 1.00 | 5.000 ⁽²⁾ | 79.09 |
| 2011..... | 3.250 | 1.00 | 4.250 | 79.09 |
| 2012..... | 3.250 | 1.00 | 4.250 | 79.09 |
| 2013..... | 3.250 | 1.00 | 4.250 | 79.09 |
| 2014..... | 3.250 | 1.00 | 4.250 | 79.09 |
| 2015..... | 3.250 | 1.00 | 4.250 | 79.09 |
| 2016..... | 3.500 | 1.00 | 4.500 | 79.09 |
| 2017..... | 3.750 | 1.00 | 4.750 | 79.09 |
| 2018..... | 4.500 | 1.00 | 5.500 | 79.09 |
| 2019..... | 5.500 | 1.00 | 6.500 | 79.09 |
| 2020..... | 4.750 | 1.00 | 5.750 | 79.09 |
| 2021..... | 3.250 | 1.00 | 4.250 | 79.09 |
| 2022..... | 3.250 | 1.00 | 4.250 | 79.09 |
| 2023..... | 7.500 | 1.00 | 8.500 | 79.09 |
| 2024..... | 8.500 | 1.00 | 9.500 | 79.09 |

⁽¹⁾ This is a margin we have used recently; your margin may be different.

⁽²⁾ This **ANNUAL PERCENTAGE RATE** reflects a discount that we have provided recently; your plan may be discounted by a different amount.

WALL STREET JOURNAL PRIME RATE INDEX TABLE WITHOUT DISCOUNT

| Year (as of the last business day of January) | Index (Percent) | Margin ⁽¹⁾ (Percent) | ANNUAL PERCENTAGE RATE | Monthly Payment (Dollars) |
|---|-----------------|---------------------------------|------------------------|---------------------------|
| 2010..... | 3.250 | 1.00 | 4.250 | 75.24 |
| 2011..... | 3.250 | 1.00 | 4.250 | 75.24 |
| 2012..... | 3.250 | 1.00 | 4.250 | 75.24 |
| 2013..... | 3.250 | 1.00 | 4.250 | 75.24 |
| 2014..... | 3.250 | 1.00 | 4.250 | 75.24 |
| 2015..... | 3.250 | 1.00 | 4.250 | 75.24 |
| 2016..... | 3.500 | 1.00 | 4.500 | 76.04 |
| 2017..... | 3.750 | 1.00 | 4.750 | 76.76 |
| 2018..... | 4.500 | 1.00 | 5.500 | 78.69 |
| 2019..... | 5.500 | 1.00 | 6.500 | 80.96 |
| 2020..... | 4.750 | 1.00 | 5.750 | 80.96 |
| 2021..... | 3.250 | 1.00 | 4.250 | 80.96 |
| 2022..... | 3.250 | 1.00 | 4.250 | 80.96 |
| 2023..... | 7.500 | 1.00 | 8.500 | 80.96 |
| 2024..... | 8.500 | 1.00 | 9.500 | 80.96 |

⁽¹⁾ This is a margin we have used recently; your margin may be different.

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 |
|--|--|---------------------------------|-----------------------|---|---|
| <p>RETIREMENT PLAN LOAN <i>You borrow from your retirement savings in a 401(k) or similar plan through your current employer</i></p> | <p>Generally, up to 50% of your vested balance or \$50,000, whichever is less</p> | <p>Fixed</p> | <p>No</p> | <p>Repay through paycheck deductions; paperwork required but no credit check and no impact on your credit score</p> | <p>If you leave or lose your job, repay the whole amount at that time or pay taxes and penalties; spouse may need to consent</p> |
| <p>HOME EQUITY CONVERSION MORTGAGE (HECM) <i>You must be age 62 or older, and you borrow against the equity in your home</i></p> | <p>Depends on your age, the interest rate on your loan, and the value of your home</p> | <p>Fixed or variable</p> | <p>Yes</p> | <p>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</p> | <p>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</p> |
| <p>CREDIT CARD <i>You borrow money from the credit card company and repay as you go</i></p> | <p>Up to the amount of your credit limit, as determined by the credit card company</p> | <p>Fixed or variable</p> | <p>No</p> | <p>No minimum purchase; consumer protections in the case of fraud or lost or stolen card</p> | <p>Higher interest rate than a loan that uses your home as collateral</p> |
| <p>FRIENDS AND FAMILY <i>You borrow money from someone you are close to</i></p> | <p>Agreed on by the borrower and lender</p> | <p>Variable, fixed or other</p> | <p>No</p> | <p>Reduced waiting time, fees, and paperwork compared to a formal loan</p> | <p>Forgiven loans and unreported or forgiven interest can complicate taxes, especially for large loans; can jeopardize important personal relationships if something goes wrong</p> |

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 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** by refinancing it with the lender, getting a loan from another lender, or some other means. If you are unable to pay the balloon payment in full, you could lose your home.

RENEW OR CLOSE OUT THE LINE OF CREDIT

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

TIP

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



GET THREE HELOC ESTIMATES

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

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



GET THREE HELOC ESTIMATES

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

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

How variable interest rates work

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

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

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

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

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

Rights and responsibilities

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

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

- Annual fees
- Miscellaneous charges

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

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

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

Right to cancel (also called right to rescind)

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

TIP

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

If something changes during the course of the loan

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

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



WELL DONE!

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

In this booklet:

ASK YOURSELF

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

Have I shopped around for HELOC features and fees?

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

ONLINE TOOLS

CFPB website
cfpb.gov

Answers to common questions
cfpb.gov/askcfpb

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

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

Submit a complaint
cfpb.gov/complaint