CANALS & TRAILS
CREDIT UNION

838 S. State Street

Ph: 815.838.7159 Fx: 815.838.5581
www.canals-trailscu.org

Dear Credit Union Member:

Thank you for inquiring about the Canals and Trail's Home Equity Loan program. Enclosed is an application, early disclosure, request for verification and a pamphlet entitled, "When Your Home is on the Line: What You Should Know About Home Equity Lines of Credit."

Upon reading the enclosed materials, please complete and sign the application and mortgage verification returning with the following documents:

- Copy of most recent Tax Return
- Proof of all income including paycheck stubs over 30 consecutive days
- A copy of your most recent property tax bill
- A copy of your property insurance policy, including agent's name and phone number
- A legal description of your property, usually on the plat survey or mortgage deed
- A check for $600.00 that covers the cost of the appraisal, Alta Jr. policy search, three-bureau credit report, mortgage recording filing fees, and flood certificate.

If you have any questions, please do not hesitate to contact the lending department at 815-838-7159.

It is a pleasure to serve you.

Sincerely,

Janet Schuler

Janet Schuler
President
Canals & Trails Credit Union
NMLS812881

LOANLINER HOME EQUITY SYSTEM

Application

CANALS & TRAILS CREDIT UNION
838 S. STATE STREET
LOCKPORT, IL 60441

HOW TO APPLY
- Please complete sections 1 through 8.
- Sign and complete section 9.
- Return this application to your credit union
- An incomplete or unsigned form may delay processing

1 NOTE AND COMPLETE

Married Applicants may apply for a separate account. Check the appropriate box to indicate Individual Credit or Joint Credit.

NOTICE TO OHIO APPLICANTS: The Ohio laws against discrimination require that all creditors make credit equally available to all credit worthy 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.

☐ **Individual Credit:** Complete Applicant section. Complete Co-Applicant, Spouse (referred to as "Other") section: (1) about your spouse if you live in a community property state (AZ, CA, ID, LA, NM, NV, TX, WA, WI), or (2) if your spouse will use the Account. Please check box to indicate whom the information is about.

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

Amount Requested $________ Purpose: ________

Repayment: ☐ Payroll Deduction ☐ Cash ☐ Automatic Payment ☐ Military Allotment ☐ ________

STATEMENT OF INTENT

Are you interested in having your loan protected? ☐ Yes ☐ No
If you answer "Yes," then the credit union will disclose the costs of this voluntary payment protection to you. A separate election which discloses the terms and conditions must be signed for protection to be effective.

2 APPLICANT INFORMATION

APPLICANT *Please print in ink or type.*	☐ CO-APPLICANT ☐ SPOUSE *Use "SAA" if information is "Same As Applicant".*
NAME (Last – First – Initial)	NAME (Last – First – Initial)
DRIVER'S LICENSE NUMBER / STATE	DRIVER'S LICENSE NUMBER / STATE
ACCOUNT NUMBER / SOCIAL SECURITY NUMBER	ACCOUNT NUMBER / SOCIAL SECURITY NUMBER
BIRTH DATE / HOME PHONE ( ) / BUSINESS PHONE / EXT. ( )	BIRTH DATE / HOME PHONE ( ) / BUSINESS PHONE / EXT. ( )
PRESENT ADDRESS (Street – City – State – Zip) ☐ OWN ☐ RENT / YEARS AT THIS ADDRESS	PRESENT ADDRESS (Street – City – State – Zip) ☐ OWN ☐ RENT / YEARS AT THIS ADDRESS
PREVIOUS ADDRESS (Street – City – State – Zip) ☐ OWN ☐ RENT / YEARS AT THIS ADDRESS	PREVIOUS ADDRESS (Street – City – State – Zip) ☐ OWN ☐ RENT / YEARS AT THIS ADDRESS
COMPLETE FOR JOINT CREDIT, SECURED CREDIT OR IF YOU LIVE IN A COMMUNITY PROPERTY STATE: ☐ MARRIED ☐ SEPARATED ☐ UNMARRIED (Single – Divorced – Widowed)	COMPLETE FOR JOINT CREDIT, SECURED CREDIT OR IF YOU LIVE IN A COMMUNITY PROPERTY STATE: ☐ MARRIED ☐ SEPARATED ☐ UNMARRIED (Single – Divorced – Widowed)
LIST AGES OF DEPENDENTS NOT LISTED BY OTHER APPLICANT (Exclude Self)	LIST AGES OF DEPENDENTS NOT LISTED BY APPLICANT (Exclude Self)

3 EMPLOYMENT INFORMATION

NAME AND ADDRESS OF EMPLOYER	NAME AND ADDRESS OF EMPLOYER
YOUR TITLE / GRADE / SUPERVISOR'S NAME	YOUR TITLE / GRADE / SUPERVISOR'S NAME
START DATE / HOURS AT WORK / IF SELF EMPLOYED, TYPE OF BUSINESS	START DATE / HOURS AT WORK / IF SELF EMPLOYED, TYPE OF BUSINESS
IF EMPLOYED IN CURRENT POSITION LESS THAN FIVE YEARS, COMPLETE PREVIOUS EMPLOYER NAME AND ADDRESS / STARTING DATE / ENDING DATE	IF EMPLOYED IN CURRENT POSITION LESS THAN FIVE YEARS, COMPLETE PREVIOUS EMPLOYER NAME AND ADDRESS / STARTING DATE / ENDING DATE
MILITARY: IS DUTY STATION TRANSFER EXPECTED DURING NEXT YEAR ☐ YES ☐ NO WHERE / ENDING / SEPARATION DATE	IS DUTY STATION TRANSFER EXPECTED DURING NEXT YEAR ☐ YES ☐ NO WHERE / ENDING / SEPARATION DATE

4 INCOME INFORMATION

NOTICE: Alimony, child support, or separate maintenance income need not be revealed if you do not choose to have it considered.	NOTICE: Alimony, child support, or separate maintenance income need not be revealed if you do not choose to have it considered.
EMPLOYMENT INCOME $ PER ☐ NET ☐ GROSS / OTHER INCOME $ PER SOURCE	EMPLOYMENT INCOME $ PER ☐ NET ☐ GROSS / OTHER INCOME $ PER SOURCE

5 REFERENCES

Please include Street, City, State and Zip.

NAME AND ADDRESS OF NEAREST RELATIVE NOT LIVING WITH YOU / RELATIONSHIP / HOME PHONE	NAME AND ADDRESS OF NEAREST RELATIVE NOT LIVING WITH YOU / RELATIONSHIP / HOME PHONE
NAME AND ADDRESS OF PERSONAL FRIEND –NOT A RELATIVE / HOME PHONE	NAME AND ADDRESS OF PERSONAL FRIEND –NOT A RELATIVE / HOME PHONE

CONTINUED ON REVERSE SIDE

APPLICANT | **OTHER** (CO-APPLICANT, SPOUSE)

6A ASSETS/ PROPERTY

Check box for Applicant/Other. List all assets and account number(s)— Attach other sheets if necessary.

SHARE DRAFT OR CHECKING AMOUNT	NAME AND ADDRESS OF DEPOSITORY	SHARE DRAFT OR CHECKING AMOUNT	NAME AND ADDRESS OF DEPOSITORY
$		$	
SAVINGS AMOUNT	NAME AND ADDRESS OF DEPOSITORY	SAVINGS AMOUNT	NAME AND ADDRESS OF DEPOSITORY
$		$	

APPLICANT	OTHER		LIST HOME AND ALL OTHER ITEMS YOU OWN AND LOCATION OF PROPERTY For Example: Auto; Boat, Stocks, Bonds, Cash, Household Goods, Real Estate, etc.	MARKET VALUE	PLEDGED AS COLLATERAL FOR ANOTHER LOAN			
		HOME*		$		YES		NO
				$		YES		NO
				$		YES		NO

6B*

This section must be completed for the property which will be given as security, if applicable.

LIST EVERY LIEN AGAINST YOUR HOME

A lien is a legal claim filed against property as security for payment of a debt. Liens include mortgages, deeds of trust, land contracts, judgments and past due taxes.

FIRST MORTGAGE HELD BY	OTHER LIENS (Describe)
PRESENT BALANCE $	

IS THE PROPERTY DESCRIBED IN THIS SECTION: YOUR PRINCIPAL DWELLING? ☐ YES ☐ NO

LISTED AS THE APPLICANT'S ADDRESS IN THE "APPLICANT INFORMATION" SECTION? ☐ YES ☐ NO

IS ANYONE OTHER THAN YOUR SPOUSE A PART OWNER OF YOUR HOME? ☐ YES ☐ NO

7 DEBTS

In addition to Rent/Mortgage list all other debts (for example, auto loans, credit cards, second mortgage, home assoc. dues, alimony, child support, child care, medical, utilities, auto insurance, IRS liabilities, etc.) Please use a separate line for each credit card and auto loan. Attach other sheets if necessary.

APPLICANT	OTHER		CREDITOR NAME AND ADDRESS	ACCOUNT NUMBER	ORIGINAL BALANCE	PRESENT BALANCE	MONTHLY PAYMENT	IF PAST DUE ✓
		☐ RENT ☐ MORTGAGE (Incl. Tax & Ins.)			$	$	$	
					$	$	$	
					$	$	$	
					$	$	$	
					$	$	$	
					$	$	$	
					$	$	$	
					$	$	$	
					$	$	$	
LIST ANY NAMES UNDER WHICH YOUR CREDIT REFERENCES AND CREDIT HISTORY CAN BE CHECKED				TOTALS	$	$	$	

8 FINANCIAL INFORMATION

These questions apply to both Applicant and Other.

IF A "YES" ANSWER IS GIVEN TO A QUESTION, EXPLAIN ON AN ATTACHED SHEET	APPLICANT YES	APPLICANT NO	OTHER YES	OTHER NO
DO YOU HAVE ANY OUTSTANDING JUDGMENTS?				
HAVE YOU EVER FILED FOR BANKRUPTCY OR HAD A DEBT ADJUSTMENT PLAN CONFIRMED UNDER CHAPTER 13?				
HAVE YOU HAD PROPERTY FORECLOSED UPON OR GIVEN A DEED IN LIEU OF FORECLOSURE IN THE LAST 7 YEARS?				
ARE YOU A PARTY IN A LAWSUIT?				
ARE YOU OTHER THAN A U.S. CITIZEN OR PERMANENT RESIDENT ALIEN?				
IS YOUR INCOME LIKELY TO DECLINE IN THE NEXT TWO YEARS?				
ARE YOU A CO-MAKER, CO-SIGNER OR GUARANTOR ON ANY LOAN NOT LISTED ABOVE?				

FOR WHOM (Name of Others Obligated on Loan): TO WHOM (Name of Creditor):

9 SIGNATURES

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 all your debts and obligations. You authorize the credit union to obtain credit reports in connection with this application for credit and for any update, renewal or extension of the credit received. 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. You understand that it is a federal crime to willfully and deliberately provide incomplete or incorrect information on loan applications made to Federal Credit Unions or State Chartered Credit Unions insured by NCUA.

If there are any important changes, you will notify us in writing immediately. You also agree to notify us of any change in your name, address or employment within a reasonable time thereafter.

X ______________________ APPLICANT'S SIGNATURE DATE

X ______________________ OTHER SIGNATURE DATE

10 CREDIT UNION INFORMATION

Do not write in this section— for credit union use only. Check applicable box(es).

☐ LOAN OFFICER ADVANCE APPROVED: ☐ YES ☐ NO ☐ COUNTER OFFER WILL BE MADE, IF ACCEPTED, ADVANCE APPROVED

☐ CREDIT COMMITTEE OR OTHER OUTSIDE INFORMATION CONSIDERED: ☐ YES ☐ NO IF YES, ATTACH ADDITIONAL SHEET AND DESCRIBE

REFERRED TO/REASON(S) FOR REFERRAL: $__________ APPROVED LIMIT __________ DEBT RATIO

DESCRIBE COUNTER OFFER:

SPECIFIC REASON(S) FOR REJECTION:

SIGNATURES:

☐ LOAN OFFICER X __________ DATE X __________ DATE

☐ CREDIT COMMITTEE X __________ DATE X __________ DATE

☐ ECOA NOTICE AND REASON FOR REJECTION SENT OR DELIVERED ON __________ (DATE) BY __________ (INITIALS)

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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 5 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 be rounded up to the nearest dollar. Your payment will remain the same unless you obtain another credit advance. Your payment may also change if the annual percentage rate increases or decreases. Each time the annual percentage rate changes, 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.

MINIMUM PAYMENT EXAMPLE: If you made only the minimum monthly payment and took no other credit advances it would take 14 years 11 months to pay off a credit advance of $10,000 at an **ANNUAL PERCENTAGE RATE** of 4.5%. During that period, you would make 178 payments of $77.00 and one (1) final payment of $27.84.

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

Application Fee: $600.00 (Due at application)
Annual Fee: $50.00 (Due on September 1 of each year)

We will use the application fee to pay for third party fees incurred to open up and maintain your plan.

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 maximum number of advances you may obtain per quarter is 6. The minimum credit advance that you can receive is $5,000.00 for the first advance and $500.00 for each subsequent advance.

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

VARIABLE RATE AND FIXED RATE FEATURES: This plan has a fixed rate feature in which the initial annual percentage rate is in effect for 36 months, after which time the variable rate feature comes into effect. Under the variable rate feature, 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 variable 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.

What You Should Know About Home Equity Lines of Credit

WHAT YOU SHOULD KNOW ABOUT HOME EQUITY LINES OF CREDIT

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.

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.

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

(continued)

not reflect closing costs and other fees and charges, so you'll need t compare these costs, as well as the APRs, among lenders.

Variable interest rates

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

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

Variable-rate plans secured by a dwelling must, by law, have a ceilin (or cap) on how much your interest rate may increase over the life o the plan. Some variable-rate plans limit how much your payment ma 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 fixed rate during the life of the plan, or let you convert all or a portio of your line to a fixed-term installment loan.

COSTS OF ESTABLISHING AND MAINTAINING A HOME EQUITY LINE

Many of the costs of setting up a home equity line of credit are simila 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 turne down for credit;
- Up-front charges, such as one or more "points" (one point equals percent of the credit limit); and
- Closing costs, including fees for attorneys, title search, mortgag 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 fe 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 fund borrowed. On the other hand, because the lender's risk is lower tha for other forms of credit, as your home serves as collateral, annua percentage rates for home equity lines are generally lower than rate for other types of credit. The interest you save could offset the cost of establishing and maintaining the line. Moreover, some lenders waiv some or all of the closing costs.

HOW WILL YOU REPAY YOUR HOME EQUITY PLAN?

Before entering into a plan, consider how you will pay back the mone you borrow. Some plans set a minimum monthly payment that include a portion of the principal (the amount you borrow) plus accrue interest. But, unlike with typical installment loan agreements, th portion of your payment that goes toward principal may not be enoug to repay the principal by the end of the term. Other plans may allo payment of *only the interest* during the life of the plan, which mean that you pay nothing toward the principal. If you borrow $10,000, yo will owe that amount when the payment plan ends.

Regardless of the minimum required payment on your home equit line, you may choose to pay more, and many lenders offer a choic

(continuec

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.

LINES 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.

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.

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.

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.

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 trans-

action 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.

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.

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.

Consumer Financial Protection Bureau (CFPB)
P.O. Box 4503
Iowa City, IA 52244
(855) 411- CFPB (2372)
www.consumerfinance.gov/complaint

Regulated Entities: 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

Federal Housing Finance Agency (FHFA)
Consumer Communications
Constitution Center
400 7th Street, S.W.
Washington, DC 20024
(202) 649-3811

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www.fhfa.gov
www.fhfa.gov/Default.aspx?Page=369

Regulated Entities: Fannie Mae, Freddie Mac, and the Federal Home Loan Banks

National Credit Union Administration (NCUA)
Consumer Assistance
1775 Duke Street
Alexandria, VA 22314
(800) 755-1030
www.ncua.gov
www.mycreditunion.gov

Regulated Entity: Federally chartered credit unions

Federal Trade Commission (FTC)
Consumer Response Center
600 Pennsylvania Avenue, N.W.
Washington, DC 20580
(877) FTC-HELP or
(877) 382-4357
www.ftc.gov
www.ftc.gov/bcp

Regulated Entities: Finance companies, retail stores, auto dealers, mortgage companies and other lenders, and credit bureaus

Farm Credit Administration
Office of Congressional and Public Affairs
1501 Farm Credit Drive
McLean, VA 22102
(703) 883-4056
www.fca.gov

Regulated Entity: Agricultural lenders

Small Business Administration (SBA)
Consumer Affairs
409 3rd Street, S.W.
Washington, DC 20416
(800) U-ASK-SBA or
(800) 827-5722
www.sba.gov

Regulated Entity: Small business lenders

U.S. Department of Justice (DOJ)
Civil Rights Division
950 Pennsylvania Avenue, N.W.
Housing and Civil Enforcement Section
Washington, DC 20530
(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

Regulated Entities: Fair lending and fair housing issues

Department of Housing and Urban Development (HUD)
Office of Fair Housing/Equal Opportunity
451 7th Street, S.W.
Washington, DC 20410
(800) 669-9777
www.hud.gov/complaints

Regulated Entities: Fair lending and fair housing issues

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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		
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?		