

**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.

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.

WISCONSIN RESIDENTS ONLY: (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.

X SIGNATURE FOR WISCONSIN RESIDENTS ONLY _____ DATE _____

- Individual Credit:** Complete **Applicant** section. Complete **Co-Aplicant, 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-Aplicant 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," the Credit Union will disclose the cost to protect your loan. The protection is voluntary and does not affect your loan approval. In order for your loan to be covered, you will need to sign a separate application that explains the terms and conditions.

**2
APPLICANT
INFORMATION**

APPLICANT

NAME (Last - First - Initial) _____
DRIVER'S LICENSE NUMBER/STATE _____
ACCOUNT NUMBER _____ SOCIAL SECURITY NUMBER _____
BIRTH DATE _____ HOME PHONE _____ CELL PHONE _____ BUSINESS PHONE/ EXT. _____
PRESENT 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)
LIST AGES OF DEPENDENTS NOT LISTED BY OTHER APPLICANT _____
(Exclude Self)

CO-APPLICANT **SPOUSE**

NAME (Last - First - Initial) _____
DRIVER'S LICENSE NUMBER/STATE _____
ACCOUNT NUMBER _____ SOCIAL SECURITY NUMBER _____
BIRTH DATE _____ HOME PHONE _____ CELL PHONE _____ BUSINESS PHONE/ EXT. _____
PRESENT 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)
LIST AGES OF DEPENDENTS NOT LISTED BY APPLICANT _____
(Exclude Self)

**3
EMPLOYMENT
INFORMATION**

NAME AND ADDRESS OF EMPLOYER _____
YOUR TITLE/GRADE _____ SUPERVISOR'S NAME _____
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 _____
MILITARY IS DUTY STATION TRANSFER EXPECTED DURING NEXT YEAR YES NO
WHERE _____ ENDING/SEPARATION DATE _____

NAME AND ADDRESS OF EMPLOYER _____
YOUR TITLE/GRADE _____ SUPERVISOR'S NAME _____
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 _____
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.
EMPLOYMENT INCOME \$ _____ OTHER INCOME \$ _____
PER NET PER GROSS SOURCE PER

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

**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 PERSONAL FRIEND -NOT A RELATIVE _____ 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 _____

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	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	PLEGDED AS COLLATERAL FOR ANOTHER LOAN	
OTHER				
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? LISTED AS THE APPLICANT'S ADDRESS IN THE "APPLICANT INFORMATION" SECTION?	IS ANYONE OTHER THAN YOUR SPOUSE A PART OWNER OF YOUR HOME?
<input type="checkbox"/> YES <input type="checkbox"/> NO	<input type="checkbox"/> YES <input type="checkbox"/> 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	CREDITOR NAME AND ADDRESS	ACCOUNT NUMBER	ORIGINAL BALANCE	PRESENT BALANCE	MONTHLY PAYMENT	IF PAST DUE ✓
<input type="checkbox"/> RENT <input type="checkbox"/> 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

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): _____

APPLICANT		OTHER	
YES	NO	YES	NO

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 crime to willfully and deliberately provide incomplete or incorrect information in this application. 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 _____ **X** _____
APPLICANT'S SIGNATURE DATE 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) _____

LOAN ORIGINATOR ORGANIZATION _____ NMLSR ID NUMBER _____

LOAN ORIGINATOR _____ NMLSR ID NUMBER _____

**OSWEGO TEACHERS EMPLOYEES
FEDERAL CREDIT UNION**

90 West Utica Street • Oswego, NY 13126

Telephone: (315) 342-4574

Fax: (315) 342-2205

**Demographic
Information of Applicant
and Co-Applicant**

DEMOGRAPHIC INFORMATION OF APPLICANT AND CO-APPLICANT

The purpose of collecting this information is to help ensure that all applicants are treated fairly and that the housing needs of communities and neighborhoods are being fulfilled. For residential mortgage lending, Federal law requires that we ask applicants for their demographic information (ethnicity, race, and sex) in order to monitor our compliance with equal credit opportunity, fair housing, and home mortgage disclosure laws. You are not required to provide this information, but are encouraged to do so. You may select one or more "Hispanic or Latino" origins, and one or more designations for "Race." The law provides that we may not discriminate on the basis of this information, or on whether you choose to provide it. However, if you choose not to provide the information and you have made this application in person, Federal regulations require us to note your ethnicity, race, and sex on the basis of visual observation or surname. If you do not wish to provide some or all of this information, please check below.

Account Number:

Property Address:

APPLICANT

Name:

Ethnicity:

Hispanic or Latino – *Check one or more*

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

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

Sex:

Female

Male

I do not wish to provide this information

CO-APPLICANT

Name:

Ethnicity:

Hispanic or Latino – *Check one or more*

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

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

Sex:

Female


Male

I do not wish to provide this information

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

Was the ethnicity of the applicant collected on the basis of visual observation or surname? <input type="checkbox"/> Yes <input type="checkbox"/> No	Was the race of the applicant collected on the basis of visual observation or surname? <input type="checkbox"/> Yes <input type="checkbox"/> No	Was the ethnicity of the co-applicant collected on the basis of visual observation or surname? <input type="checkbox"/> Yes <input type="checkbox"/> No	Was the race of the co-applicant collected on the basis of visual observation or surname? <input type="checkbox"/> Yes <input type="checkbox"/> No
Was the sex of the applicant collected on the basis of visual observation or surname? <input type="checkbox"/> Yes <input type="checkbox"/> No		Was the sex of the co-applicant collected on the basis of visual observation or surname? <input type="checkbox"/> Yes <input type="checkbox"/> No	

To Be Completed by Interviewer:

<input type="checkbox"/> Face to face interview <input type="checkbox"/> Mail <input type="checkbox"/> Telephone <input type="checkbox"/> Internet	Interviewer's Name <div style="border: 1px solid black; padding: 5px;"> Interviewer's Signature Date  (Seal) </div> Interviewer's Phone Number	Name and Address of Interviewer's Employer
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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](https://www.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** 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?				

My best HELOC offer is: _____

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