

Please retain this page for your records.



## 2<sup>nd</sup> Mortgage & Home Equity Line Of Credit Application

Thank you for inquiring into a 2<sup>nd</sup> Mortgage or Home Equity Line Of Credit from your Credit Union. To fulfill your individual needs, we offer two types of loans that are secured by a lien on your primary residence. You can determine which loan fits your needs by asking yourself this question. “Do I need the funds in one lump sum or through a line of credit?” Most members select our 2<sup>nd</sup> Mortgage to consolidate bills or make a major purchase. Our Home Equity LOC enables you to access your credit line, as you need it. The following chart will help you in selecting which loan meets your financial needs. Our Loan Service Reps are also available at 732-727-3500 ext 220. Please remember to complete all sections of this application and return with all your supporting documents.

	<b>2<sup>nd</sup> Mortgage</b>	<b>Home Equity LOC</b>
Type of Loan	Closed-End Loan	Open-End Line of Credit
	<b>Secured by a lien on your one to four family primary residence located in NJ.</b>	
Equity Available	Qualified borrowers may borrow up to <b>80%</b> of the appraised value of your home, minus your first mortgage, to the maximum limits established.	
Loan Terms	5, 10, 15, 20 Years - up to \$250,000.00 5, 10, 15, 20 Year Term - Fixed Rate	5, 10 or 15 years - up to \$250,000.00 5 Year Term - Fixed Rate 10 or 15 Year Term - Variable Rate
Interest Rates	Please ask for current rate chart. Rates published are based on the Prime Rate. Your rate and approval will be based on the number of years your loan is financed, your ability to pay and your individual creditworthiness.	
Fees	The Credit Union does <b>NOT</b> assess any fees or charges to you to establish your Home Equity LOC or Second Mortgage. Certain circumstances may warrant the assessment of fees, but will be approved by you prior to charges.	
Application Time	<b>Your loan closing can take place approximately 3-4 weeks from the date your application is received.</b>	
Funds Available	Available after the Right of Rescission Period, (3 business days).	
Funds Access	The Credit Union will first payoff any predetermined debts. The remainder will be disbursed as mutually agreed.	The Credit Union will first payoff any predetermined debts. Then you can access your credit line with your HELOC checks or cash advances.
Payments	Fixed Monthly Payment	Variable Monthly Payment based on balance, rate & remaining term.

(rev 8-2022)

Please retain for your records.



Dear Member,

Thank you for your interest in a Home Loan with Raritan Bay Federal Credit Union. The information that you will submit will be reviewed and we will be contacting you by phone shortly thereafter.

We have attached an **estimate of costs** that are associated with your 2nd Mortgage Loan/Home Equity Line of Credit, and information regarding the different types of Home Equity Lines of Credit that Raritan Bay FCU offers. Please read through all pages.

If there are any questions, please feel free to contact us at the number listed below. We can set up a closing for as early as 10 business days from the date of your application submission. We will discuss this further and confirm by phone.

Please return all pages marked "return" with the completed application and keep the pages marked "retain for your records" as well as "Putting Your Home on the Line Is Risky Business" and "What You Should Know about Home Equity Lines of Credit".

We appreciate your consideration of Raritan Bay Federal Credit Union for your financing needs.



Raritan Bay Federal Credit Union  
491 Raritan Street  
Sayreville, NJ 08872-1442  
Phone: 732-727-3500 ext 220  
Fax: 732-553-9049  
E-Mail: [mgarthaffner@raritanbayfcu.org](mailto:mgarthaffner@raritanbayfcu.org)  
[jkutz@raritanbayfcu.org](mailto:jkutz@raritanbayfcu.org)

Michael Garthaffner  
VP of Lending  
NMLS #467025

Jennifer Kutz  
Loan Manager  
NMLS #922266

Please retain this page for your records.



**SECURE and FAIR ENFORCEMENT FOR MORTGAGE LICENSING ACT of 2008**

It is the policy of Raritan Bay Federal Credit Union to comply with the requirements of the Secure and Fair Enforcement for Mortgage Licensing Act (S.A.F.E. Act) and the statute's implementing regulations.

The SAFE Act is designed to enhance consumer protection and reduce fraud through the setting of minimum standards for the licensing and registration of Mortgage Loan Originators who work for an insured depository.

The SAFE Act requires residential "Mortgage Loan Originators" ("MLO's"), who are employees of the Credit Union to be registered with the Nationwide Mortgage Licensing System and Registry (NMLS). The NMLS is a fully searchable web based system allowing the public to view certain information concerning registered institutions and individuals.

Beginning August 1, 2011 Federal registrant information will be made publicly available through Consumer Access ([www.nmlsconsumeraccess.org](http://www.nmlsconsumeraccess.org)).

Listed below are the NMLS identification numbers for Raritan Bay FCU and the names and identification numbers of our Mortgage Loan Originator:

Raritan Bay Federal Credit Union: #646451

Michael Garthaffner: #467025

Jennifer Kutz: #922266

(rev 05/2024)

Please complete this page and return.

**Real Estate Information Sheet**

In order to properly process your 2<sup>nd</sup> Mortgage/Home Equity Line of Credit loan application please provide us with the following information about you and your **primary residence**:

Names of all parties on deed: \_\_\_\_\_

Name of First Mortgage lender: \_\_\_\_\_ Approx. Mortgage Balance \$ \_\_\_\_\_

Date of Property Ownership: \_\_\_\_\_ Estimate of the Market Value of your home \$ \_\_\_\_\_

Is this Multi Family? YES NO Townhouse or Condo? YES NO If yes, monthly maintenance fee \$ \_\_\_\_\_

If Yes-provide Name of Development and HOA with contact Information \_\_\_\_\_

Presently Married? YES NO Date Married: \_\_\_\_\_ Maiden name: \_\_\_\_\_

Are all property owners living? \_\_\_\_\_ If no, please provide copy of death certificate.

**Please supply to us as soon as possible,**

\_\_ Copy of your **DEED**.

\_\_ Copy of your **MORTGAGE STATEMENT(S)** (First and Second Mortgages, if applicable).

\_\_ Copy of your current **PROPERTY TAX BILL**.

\_\_ Copy of your most recent **FEDERAL INCOME TAX RETURN**.

\_\_ Most recent **PAY STUB for each borrower or 3 months recent BUSINESS BANK STATEMENTS with Proof of Business ownership if Self Employed. Can also accept 2 years of tax returns for self employed.**

\_\_ Copy of the declarations page of your **HOMEOWNERS INSURANCE POLICY**.

\_\_ If applicable, Copy of the **Condo/Townhouse Development Master Insurance Policy**.

\_\_ The completed **2ND MORTGAGE/ HOME EQUITY LOAN APPLICATION for each borrower.**

\_\_ **SIGNED** copies of each attached **DISCLOSURE FORM** and the signed **CONSENT FORM** (enclosed).

\_\_ **COPIES of STATE ISSUED ID's for each applicant, spouse, and/or property owner, if applicable.**

\_\_ Completed **GOVERNMENT MONITORING INFORMATION** form.

\_\_ **THIS FORM.**

**If unable to supply any of the documentation listed, please contact us for assistance.**

We will process your application as quickly as possible and will notify you as soon as we have reviewed it.

**Please retain the pages which are marked as such, along with the attached booklets.**

**THANK YOU FOR USING YOUR CREDIT UNION.**

\_\_\_\_\_  
DATE RECEIVED

\_\_\_\_\_  
STAFF INITIALS (CHECKED in BY)

(rev 10/2023)

Please complete this page and return.



**CONSENT FORM**

Date: \_\_\_\_\_

To whom it may concern:

I/we have applied for a loan and hereby authorize you to release to RARITAN BAY FEDERAL CREDIT UNION the requested information on the attached form concerning our employment, checking/savings accounts, outstanding obligations and all other credit matters which they may require in order to process our loan application.

The information is for the confidential use of the credit union in determining my/our creditworthiness for the loan or to confirm information I/we have supplied. In addition, I/we are aware that the documentation supplied is subject to re-verification after the date of loan disbursement.

A photographic or faxed copy of this authorization may be deemed to be the equivalent of the original and may be used as a duplicate original.

Your prompt reply is appreciated.

Signature(s)

Print name and address

\_\_\_\_\_

\_\_\_\_\_

Last 4 digits of Soc Sec # \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Last 4 digits of Soc Sec # \_\_\_\_\_

\_\_\_\_\_

\*\*\*\*\*

I hereby certify this to be a true and correct copy of the original signature(s).

\_\_\_\_\_  
Lenders Signature

\_\_\_\_\_  
Date

Raritan Bay Federal Credit Union  
491 Raritan Street  
Sayreville, NJ 08872  
Tel- 732-727-3500

(rev 08/2022)

## DISCLOSURE STATEMENT

(Please retain this page for your records)

LENDER: Raritan Bay Federal Credit Union, 491 Raritan Street, Sayreville, New Jersey 08872

### **NOTICE TO MORTGAGE LOAN APPLICANTS: THE RIGHT TO COLLECT YOUR MORTGAGE LOAN PAYMENTS MAY BE TRANSFERRED. FEDERAL LAW GIVES YOU CERTAIN RIGHTS. READ THIS STATEMENT AND SIGN IT ONLY IF YOU UNDERSTAND ITS CONTENTS.**

Because you are applying for a mortgage loan covered by the Real Estate Settlement Procedures Act (RESPA) (12 U.S.C. Section 2601 et seq.) you have certain rights under that Federal law. This statement tells you about those rights. It also tells you what the chances are that the servicing for this loan may be transferred to a different loan servicer. "Servicing" refers to collecting your principal, interest and escrow account payments. If your loan servicer changes, there are certain procedures that must be followed. This statement generally explains those procedures.

#### TRANSFER PRACTICES AND REQUIREMENTS

If the servicing of your loan is assigned, sold, or transferred to a new servicer, you must be given written notice of that transfer. The present loan servicer must send you notice in writing of the assignment, sale or transfer of the servicing not less than 15 days before the date of the transfer. The new loan servicer must also send you notice within 15 days after the date of the transfer. Also, a notice of prospective transfer may be provided to you at settlement (when title to your new property is transferred to you) to satisfy these requirements. The law allows a delay in the time (not more than 30 days after a transfer) for servicers to notify you under certain limited circumstances, when your servicer is changed abruptly. This exception applies only if your servicer is fired for cause, is in bankruptcy proceedings, or is involved in a conservatorship or receivership initiated by a Federal agency.

Notices must contain certain information. They must contain the effective date of the transfer of the servicing of your loan to the new servicer, the name, address, and toll-free or collect call telephone number of the new servicer, and toll-free or collect call telephone numbers of a person or department for both your present servicer and your new servicer to answer your questions about the transfer of servicing. During the 60-day period following the effective date of the transfer of the loan servicing, a loan payment received by your old servicer before its due date may not be treated by the new loan servicer as late, and a late fee may not be imposed on you.

#### COMPLAINT RESOLUTION

Section 6 of RESPA (12 U.S.C. Section 2605) gives you certain consumer rights, whether or not your loan servicing is transferred. If you send a "qualified written request" to your loan servicer concerning the servicing of your loan, your servicer must provide you with a written acknowledgment within 5 business days of receipt of your request. A "qualified written request" is a written correspondence, other than notice on a payment coupon or other payment medium supplied by the servicer, which includes your name and account number, and your reasons for the request. Not later than 30 business days after receiving your request, your servicer must make any appropriate corrections to your account, and must provide you with a written resolution regarding any dispute, or an explanation of further investigation. During this 30-day period, your servicer may not provide information to a consumer reporting agency concerning any overdue payment related to such period or qualified written request.

(rev 07/2017)



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**SETTLEMENT STATEMENT**

Optional Form for  
Transactions without Sellers

US Department of Housing  
and Urban Development

form HUD1-A

BORROWERS: \_\_\_\_\_  
\_\_\_\_\_

Lender: **Raritan Bay FCU**

**491 Raritan St.**

ADDRESS: \_\_\_\_\_

**Sayreville, NJ 08872**

CITY/STATE/ZIP: \_\_\_\_\_

Property Location: Same as Above

Amount applied for: \$ \_\_\_\_\_

**Settlement Charges**

**800 Items payable in Connections with Loan**

801	Loan Origination Fee	NONE
802	Loan Discount	NONE
803	Appraisal Fee	<b>\$73.00 POC*</b>
804	Credit Report Fee	<b>\$4.50 POC*</b>
805	Inspection Fee	NONE
806	Mortgage Insurance Application Fee	NONE
807	Mortgage Broker Fee	NONE
808		
809		
810		
811		

**900 Items Required by Lender to be Paid In Advance**

901	Interest from _____ to _____ @ \$ _____ per day	NONE
902	Mortgage Insurance premium for _____ months to _____	NONE
903	Hazard Insurance premium for 1 year	NONE
904	Full Appraisal (if applicable)	<b>\$450.00 POC BY MEMBER</b>

**1000 Reserves Deposited with Lender** NONE

**1100 Title Charges** **\$86.00 POC\***

**1200 Government Recording and Transfer Charges** **\$65.00 POC\***

**1300 Additional Settlement Charges** NONE

**1400 Total Estimate of Settlement Charges** **\$228.50 POC\***

Borrowers Signatures: \_\_\_\_\_  
\_\_\_\_\_

Date: \_\_\_\_\_  
\_\_\_\_\_

**\*POC: Paid Outside Closing-by Raritan Bay FCU**

(rev 10/2022)

*491 Raritan Street, Sayreville, NJ 08872  
Tel-732-727-3500 ext.220 Fax-732-553-9049*



Please complete this page and return.

## Government Monitoring Information

The following information is requested by the Federal Government for certain types of loans related to a dwelling in order to monitor the Lender's compliance with Equal Credit Opportunity, Fair Housing, and Home Mortgage Disclosure Laws. **You are not required to furnish this information, but are encouraged to do so.** You may select one or more designations for "Race." The law provides that a lender may not discriminate on the basis of this information, or on whether you choose to furnish it. However, if you choose not to furnish the information and you have made this application in person, under federal regulations the lender is required to note ethnicity, race, and sex on the basis of visual observation or surname. If you do not wish to furnish the information, then please check the appropriate box.

**APPLICANT:** \_\_\_\_\_  
Name

**CO-APPLICANT:** \_\_\_\_\_  
Name

I do not wish to furnish this information.

I do not wish to furnish this information.

**Ethnicity:**

- Hispanic or Latino
- Not Hispanic or Latino

**Ethnicity:**

- Hispanic or Latino
- Not Hispanic or Latino

**Race:**

- American Indian or Alaska Native
- Asian
- Black or African American
- Native Hawaiian or Other Pacific Islander
- White

**Race:**

- American Indian or Alaska Native
- Asian
- Black or African American
- Native Hawaiian or Other Pacific Islander
- White

**Sex:**

- Female
- Male

**Sex:**

- Female
- Male

(rev 07/2017)

Please retain this page for your records.

**IMPORTANT TERMS OF THE**  
**Five Year Term**  
**HOME EQUITY LINE OF CREDIT**

RARITAN BAY FEDERAL CREDIT UNION  
491 Raritan Street, Sayreville, New Jersey 08872  
(732) 727-3500

**This disclosure contains important information about our Home Equity Line of Credit. You should read it carefully and keep for your records.**

**Availability of Terms:** To obtain these terms described below, you must complete the loan closing process within 30 days of application. If these terms are changed (other than the annual percentage rate) and you decide, as a result, not to enter into an agreement with us, you are entitled to a refund of any fees that you have paid to us in connection with your application, with the exception of a full appraisal, conducted by a licensed appraiser and previously agreed upon by you.

**Security Interest:** We will take a mortgage on your home. You could lose your home if you do not meet the obligations in your agreement with us.

**Possible Actions:** Under certain circumstances, we can (1) terminate your line, require you to pay us the entire outstanding balance in one payment, and charge you certain fees; (2) refuse to make additional extensions of credit; and (3) reduce your credit limit. If you ask, we will give you more specific information concerning when we can take these actions.

**Minimum Payment Requirements:** You can obtain advances of credit for 5 years (the “draw period”). During the draw period, payments will be due monthly. The minimum monthly payment will be calculated to pay off the loan balance in approximately equal monthly payments by the maturity date. The minimum monthly payment will be based upon the balance of the loan as of the most recent advance and the current ANNUAL PERCENTAGE RATE. For example, if you obtain an advance on the date of the Home Equity Loan Agreement, your monthly payment will be based upon a repayment term of 60 months. If you obtain an advance at the end of the draw period, your monthly payment will be based on a repayment schedule of 1 month. The payment will not substantially change as the balance declines unless you receive an additional advance, make a payment over the minimum, or if the Credit Union determines that your monthly loan payment is not adequate to repay the outstanding loan balance, plus FINANCE CHARGES and other costs and expenses pursuant to the Home Equity Loan Agreement and the Mortgage which secures the Home Equity Loan Agreement, in approximately equal monthly payments prior to the maturity date.

(rev 08/2022)

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**IMPORTANT TERMS OF OUR**  
**Five Year Term**  
**HOME EQUITY LINE OF CREDIT**  
Cont.....

**Minimum Payment Example:** If you made only the minimum monthly payments and took no other credit advances, it would take 5 years to payoff a credit advance of \$10,000.00 at an ANNUAL PERCENTAGE RATE of **8.49%**. During that period, you would make 60 payments of **\$205.12**.

**Fees and Charges:** To open and maintain a line of credit, there is no application fee or charges. The Credit Union requires that you must carry insurance on the property that secures this plan and you must name Raritan Bay Federal Credit Union as loss payee.

**Minimum Draw and Balance Requirement:** The minimum credit advance you can receive is \$500.00, after receiving the initial advance, you may borrow in amounts as small as \$500.00.

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

**Maximum Payment Example:** If you had an outstanding balance of \$10,000.00 at the end of the draw period, the maximum payment would have to be made in one payment at **8.49%** in the amount of **\$10,069.78**.

(rev. 10/2024)

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**IMPORTANT TERMS OF OUR**  
**Ten Year Term**  
**HOME EQUITY LINE OF CREDIT**

RARITAN BAY FEDERAL CREDIT UNION  
491 Raritan Street, Sayreville, New Jersey 08872  
(732) 727-3500

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

**Availability of Terms:** To obtain these terms described below, you must complete the loan closing process within 30 days of application. If these terms are changed (other than the annual percentage rate) and you decide, as a result, not to enter into an agreement with us, you are entitled to a refund of any fees that you have paid to us or anyone else in connection with your application, with the exception of a full appraisal, conducted by a licensed appraiser and previously agreed upon by you.

**Security Interest:** We will take a mortgage on your home. You could lose your home if you do not meet the obligations in your agreement with us.

**Possible Actions:** Under certain circumstances, we can (1) terminate your line, require you to pay us the entire outstanding balance in one payment, and charge you certain fees; (2) refuse to make additional extensions of credit; and (3) reduce your credit limit. If you ask, we will give you more specific information concerning when we can take these actions.

**Minimum Payment Requirements:** You can obtain advances of credit for 7 years (the “draw period”). During the draw period, payments will be due monthly. The minimum monthly payment will be calculated to pay off the loan balance in approximately equal monthly payments by the maturity date. The minimum monthly payment will be based upon the balance of the loan as of the most recent advance and the current ANNUAL PERCENTAGE RATE. For example, if you obtain a loan on the date of the Home Equity Loan Agreement, your monthly payment will be based upon a repayment term of 120 months. If you obtain an advance at the end of the draw period, your monthly payment will be based on a repayment schedule of 36 months. The payment will not substantially change as the balance declines unless there is a change in the ANNUAL PERCENTAGE RATE, you receive an additional advance, make a payment over the minimum, or if the Credit Union determines that your monthly loan payment is not adequate to repay the outstanding loan balance, plus FINANCE CHARGES and other costs and expenses pursuant to the Home Equity Loan Agreement and the Mortgage which secures the Home Equity Loan Agreement, in approximately equal monthly payments prior to the maturity date.

(rev 08/2022)

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**IMPORTANT TERMS OF OUR**  
**Ten Year Term**  
**HOME EQUITY LINE OF CREDIT**  
CONT.....

**Minimum Payment Example:** If you made only the minimum monthly payments and took no other credit advances, it would take 10 years to payoff a credit advance of \$10,000.00 at the present ANNUAL PERCENTAGE RATE of **8.49%**. During that period, you would make 120 payments of **\$123.93**.

**Fees and Charges:** To open and maintain a line of credit, there is no application fee or charges. The Credit Union requires that you must carry insurance on the property that secures this plan and you must name Raritan Bay Federal Credit Union as loss payee.

**Minimum Draw and Balance Requirement:** The minimum credit advance you can receive is \$500.00, after receiving the initial advance, you may borrow in amounts as small as \$500.00.

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

**Variable-Rate Information:** The loan has a variable-rate feature, and the annual percentage rate (corresponding to the periodic rate) and minimum payment can change as a result. **The current ANNUAL PERCENTAGE RATE is 8.49% for our 10 year Home Equity Lines of Credit.** The annual percentage rate includes only interest and no other costs. The annual percentage rate is based upon the value of an index. The index is the highest Prime Lending Rate as set forth in the Money Rates Column of the Wall Street Journal Newspaper. **To determine the annual percentage rate that we will apply to your line, we add a margin value of +.49% to the current index.** Ask us for the current index value, margin and annual percentage rate. After you open a credit line, you will be notified of any rate change information.

**Rate Changes:** The annual percentage rate can change on January 1, April 1, July 1 and October 1 of each year. The maximum ANNUAL PERCENTAGE RATE that can apply is 18% (cap rate), and the minimum ANNUAL PERCENTAGE RATE is **3.25% (floor rate)**. In addition to the 18% “cap” and 3.25% “floor”, there is also a 2% limit on the amount by which the rate can change during any one rate change period.

**Maximum Rate and Payment Examples:** If you had an outstanding balance of \$10,000.00 at the end of the draw period, the maximum monthly payment at the maximum ANNUAL PERCENTAGE RATE of 18% would be **\$361.67**. This annual percentage rate could be reached at the time of any quarterly adjustment.

(rev. 10/2024)

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**IMPORTANT TERMS OF OUR**  
**Fifteen Year Term**  
**HOME EQUITY LINE OF CREDIT**

RARITAN BAY FEDERAL CREDIT UNION  
491 Raritan Street, Sayreville, New Jersey 08872  
(732) 727-3500

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

**Availability of Terms:** To obtain these terms described below, you must complete the loan closing process within 30 days of application. If these terms are changed (other than the annual percentage rate) and you decide, as a result, not to enter into an agreement with us, you are entitled to a refund of any fees that you have paid to us or anyone else in connection with your application, with the exception of a full appraisal, conducted by a licensed appraiser and previously agreed upon by you.

**Security Interest:** We will take a mortgage on your home. You could lose your home if you do not meet the obligations in your agreement with us.

**Possible Actions:** Under certain circumstances, we can (1) terminate your line, require you to pay us the entire outstanding balance in one payment, and charge you certain fees; (2) refuse to make additional extensions of credit; and (3) reduce your credit limit. If you ask, we will give you more specific information concerning when we can take these actions.

**Minimum Payment Requirements:** You can obtain advances of credit for 10 years (the “draw period”). During the draw period, payments will be due monthly. The minimum monthly payment will be calculated to pay off the loan balance in approximately equal monthly payments by the maturity date. The minimum monthly payment will be based upon the balance of the loan as of the most recent advance and the current ANNUAL PERCENTAGE RATE. For example, if you obtain a loan on the date of the Home Equity Loan Agreement, your monthly payment will be based upon a repayment term of 180 months. If you obtain an advance at the end of the draw period, your monthly payment will be based on a repayment schedule of 60 months. The payment will not substantially change as the balance declines unless there is a change in the ANNUAL PERCENTAGE RATE, you receive an additional advance, make a payment over the minimum, or if the Credit Union determines that your monthly loan payment is not adequate to repay the outstanding loan balance, plus FINANCE CHARGES and other costs and expenses pursuant to the Home Equity Loan Agreement and the Mortgage which secures the Home Equity Loan Agreement, in approximately equal monthly payments prior to the maturity date.

(rev 08/2022)

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**IMPORTANT TERMS OF OUR**  
**Fifteen Year Term**  
**HOME EQUITY LINE OF CREDIT**  
CONT....

**Minimum Payment Example:** If you made only the minimum monthly payments and took no other credit advances, it would take 15 years to payoff a credit advance of \$10,000.00 at an ANNUAL PERCENTAGE RATE of **8.49%**. During that period, you would make 180 payments of **\$98.42**.

**Fees and Charges:** To open and maintain a line of credit, there is no application fee or charges. The Credit Union requires that you must carry insurance on the property that secures this plan and you must name Raritan Bay Federal Credit Union as loss payee.

**Minimum Draw and Balance Requirement:** The minimum credit advance you can receive is \$500.00, after receiving the initial advance, you may borrow in amounts as small as \$500.00.

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

**Variable-Rate Information:** The loan has a variable-rate feature, and the annual percentage rate (corresponding to the periodic rate) and minimum payment can change as a result. **The current ANNUAL PERCENTAGE RATE is 8.49% for our 15 year Home Equity Lines of Credit.** The annual percentage rate includes only interest and no other costs. The annual percentage rate is based upon the value of an index. The index is the highest Prime Lending Rate as set forth in the Money Rates Column of the Wall Street Journal Newspaper. **To determine the annual percentage rate that we will apply to your line, we add a margin value of +.49% to the current index.** Ask us for the current index value, margin and annual percentage rate. After you open a credit line, rate information will be provided on periodic statements that we will send you.

**Rate Changes:** The annual percentage rate can change on January 1, April 1, July 1 and October 1 of each year. The maximum ANNUAL PERCENTAGE RATE that can apply is 18% (cap rate), and the minimum ANNUAL PERCENTAGE RATE is **3.25% (floor rate)**. In addition to the 18% “cap” and 3.25 “floor”, there is a 2% limit on the amount by which the rate can change during any one rate change period.

**Maximum Rate and Payment Examples:** If you had an outstanding balance of \$10,000.00 at the end of the draw period, the maximum monthly payment at the maximum ANNUAL PERCENTAGE RATE of 18% would be **\$254.06**. This annual percentage rate could be reached at the time of any quarterly adjustment.

(rev. 10/2024)

Please sign this page and return.

**HISTORICAL EXAMPLE:** The following table shows how the annual percentage rate and the minimum payments for a single \$10,000.00 credit advance would have changed based on the changes in the index over the past 15 years. The index values are from 2009 thru 2023. (While only one payment amount per year is shown, payments would have varied during the 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.

<b>SAMPLE HISTORICAL INDEX</b>					
<b><u>Weekly averages from the first week ending in July</u></b>					
			ANNUAL	(120 Term) MONTHLY	(180 Term) MONTHLY
YEAR	INDEX	MARGIN*	PERCENTAGE RATE	PAYMENT	PAYMENT
2009	3.25	+.49	3.99**	101.20	73.94
2010	3.25	+.49	3.99**	101.20	73.94
2011	3.25	+.49	3.99**	101.20	73.94
2012	3.00	+.49	3.99**	101.20	73.94
2013	3.25	+.49	3.99**	101.20	73.94
2014	3.25	+.49	3.99**	101.20	73.94
2015	3.25	+.49	3.99**	101.20	73.94
2016	3.50	+.49	3.99	101.20	73.94
2017	4.25	+.49	4.74	104.82	77.75
2018	5.00	+.49	5.49	108.51	81.68
2019	5.25	+.49	5.74	109.73	83.01
2020	3.25	+.49	3.99**	101.20	73.94
2021	3.25	+.49	3.74	100.02	72.61
2022	4.00	+.49	4.49	103.60	76.46
2023	8.25	+.49	8.74	125.33	99.94

**\*\*FLOOR RATE**

Acknowledgement and Signature: By signing below I/We acknowledge receiving a copy of this document and the Home Equity Loan brochures: **“Putting Your Home on the Line Is Risky Business”** and **“What You Should Know about Home Equity Lines of Credit”**.

\_\_\_\_\_  
Borrower

\_\_\_\_\_  
Co-Borrower

(rev 7/2023)

*491 Raritan Street, Sayreville, NJ 08872  
Tel-732-727-3500 ext.220 Fax-732-553-9049*



# Raritan Bay Federal Credit Union

491 Raritan Street, Sayreville, NJ 08872  
Tel: 732-727-3500 Fax: 732-553-9049

## LOAN APPLICATION

ACCOUNT # \_\_\_\_\_

Incomplete Applications Will Be Returned			For Credit Union Use		
<b>Please Complete All Boxes</b> <input type="checkbox"/> Individual <input type="checkbox"/> Joint - Other Applicant: (add'l application required)		<input type="checkbox"/> <b>Home Equity LOC</b>  <input type="checkbox"/> <b>2nd Mortgage</b>	Date Reviewed _____ <input type="checkbox"/> Approved _____ <input type="checkbox"/> Denied _____  Loan Officer Signature _____ Loan Originator Organization: <b>Raritan Bay FCU NMLSR# 646451</b> Loan Originator: <b>Michael Garthaffner NMLSR# 467025</b>  Loan Originator: <b>Jennifer Kutz NMLSR# 922266</b>		
Amount of Credit Requested \$ _____	Length of Repayment _____ MONTHS	Purpose of Loan (MUST COMPLETE): _____ _____ _____			
Payment Transfer Date: _____ Circle one: SAVINGS CHECKING					

Name		Email Address		Social Security Number		Date of Birth	
Street Address (NOT a P O Box)			Home Phone		Cell Phone #		Years of Schooling Completed:
City, State, Zip			# Yrs. at Current Address		Drivers License # & State		
Previous Home Address						# Years There	
Employer Address				Work Phone / Extension			
Position		Date Employed		Supervisor's Name			
Pay Frequency		Gross Income Amount(Specify:Hourly/per pay/Annual Salary)			Are you SALARIED or HOURLY?		
Other Income Notice: Do not list alimony, child support or separate Maintenance payments unless you wish them considered as a basis for repayment of the credit requested. If listed, verification is required.				Other Income Amount		Source	
Previous Employer Name/Address		Position		Years There		Reason for Leaving	
AUTOMOBILES OWNED		Year	Make	Model	Balance Owed	Year	Make
PRIMARY BANKS YOU USE		Savings	Branch Address	Account #	Checking	Branch Address	Account #
REFERENCE Nearest Relative Not Living With You:		Name	Address	Phone	Relationship		
REFERENCE Personal Friend:		Name	Address	Phone			

CREDIT INFORMATION (list all debts, attach add'l sheet if necessary)				<b>PLEASE ANSWER THE FOLLOWING QUESTIONS:</b>			
Name	Mntly Pyt.	\$ Owed	\$ Past Due	Are any of your debts past due ? _____			
Rent/Mortgage:				Have you ever declared Bankruptcy? _____			
				Your monthly child support obligation amount if any? _____			
				Your monthly alimony obligation amount if any? _____			
				Are you a US Citizen or registered alien? _____			
				Have you ever obtained credit under a different name? _____			
				Have you applied for any credit within the last 60 days? _____			

**PLEASE ATTACH A CURRENT PAY STUB OR LAST YEAR'S INCOME TAX RETURN**

Everything stated on this application is true and correct to the best of my knowledge. I also understand that the creditor will retain this application whether or not it is approved. I understand the Credit Union will rely on this application in deciding whether to grant the requested credit. I authorize the credit union to check my credit and employment history. If this application is approved, I also authorize the credit union to give information about its credit experience with me to others.

Applicant Signature \_\_\_\_\_

Date \_\_\_\_\_

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Name		Email Address		Social Security Number		Date of Birth			
Street Address (NOT a P O Box)			Home Phone		Cell Phone #		# of Dependents & Ages	Years of Schooling Completed:	
City, State, Zip			# Yrs. at Current Address		Drivers License # & State				
Previous Home Address						# Years There			
Employer Address				Work Phone / Extension					
Position		Date Employed		Supervisor's Name					
Pay Frequency		Gross Income Amount(Specify:Hourly/per pay/Annual Salary)			Are you SALARIED or HOURLY?				
Other Income Notice: Do not list alimony, child support or separate Maintenance payments unless you wish them considered as a basis for repayment of the credit requested. If listed, verification is required.				Other Income Amount		Source			
Previous Employer Name/Address			Position		Years There		Reason for Leaving		
AUTOMOBILES OWNED		Year	Make	Model	Balance Owed	Year	Make	Model	Balance Owed
PRIMARY BANKS YOU USE		Savings	Branch Address		Account #	Checking	Branch Address		Account #
REFERENCE Nearest Relative Not Living With You:		Name	Address		Phone	Relationship			
REFERENCE Personal Friend:		Name	Address		Phone				

CREDIT INFORMATION (list all debts, attach add'l sheet if necessary)				<b>PLEASE ANSWER THE FOLLOWING QUESTIONS:</b>				
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				Have you ever obtained credit under a different name? _____				
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Applicant Signature \_\_\_\_\_

Date \_\_\_\_\_



**Are you in need of cash?**

**Do you want to consolidate your debts?**

**Are you receiving home equity loan or refinancing offers that seem too good to be true?**

**Does your home need repairs that contractors tell you can be easily financed?**

If you are a homeowner who needs money to pay bills or for home repairs, you may think a home equity loan is the answer. But not all loans and lenders are the same—you should shop around. The cost of doing business with high-cost lenders can be excessive and, sometimes, downright abusive. For example, certain lenders—often called “predatory lenders”—target homeowners who have low incomes or credit problems or who are elderly by deceiving them about loan terms or giving them loans they cannot afford to repay.

**Borrowing from an unscrupulous lender, especially one who offers you a high-cost loan using your home as security, is risky business.** You could lose your home and your money. Before you sign on the line,

- **Think about your options**
- **Do your homework**
- **Think twice before you sign**
- **Know that you have rights under the law**

This information was prepared by the following federal agencies:

Department of Housing and Urban Development, Department of Justice, Federal Deposit Insurance Corporation, Federal Housing Finance Board, Federal Reserve Board, Federal Trade Commission, National Credit Union Administration, Office of Federal Housing Enterprise Oversight, Office of the Comptroller of the Currency, Office of Thrift Supervision.

## Think about Your Options

If you're having money problems, consider these options before you put your home on the loan line.

- Talk with your creditors or with representatives of non-profit or other reputable credit or budget counseling organizations to work out a plan that reduces your bill payments to a more manageable level.
- Contact your local social service agency, community or religious groups, and local or state housing agencies. They may have programs that help consumers, including the elderly and those with disabilities, with energy bills, home repairs, or other emergency needs.
- Contact a local housing counseling agency to discuss your needs. Call the U.S. Department of Housing and Urban Development at toll-free 800-569-4287 or visit [www.hud.gov/offices/hsg/sfh/hcc/hccprof14.cfm](http://www.hud.gov/offices/hsg/sfh/hcc/hccprof14.cfm) to find a center near you.
- Talk with someone other than the lender or broker offering the loan who is knowledgeable and you trust before making any decisions. Remember, if you decide to get a home equity loan and can't make the payments, the lender could foreclose and you would lose your home.

**If you decide a loan is right for you,** talk with several lenders, including at least one bank, savings and loan, or credit union in your community. Their loans may cost less than loans from finance companies. And don't assume that if you're on a fixed income or have credit problems, you won't qualify for a loan from a bank, savings and loan, or credit union—they may have the loan you want!

## Do Your Homework

Contact several lenders—and be *very* careful about dealing with a lender who just appears at your door, calls you, or sends you mail. Ask friends and family for recommendations of lenders. Talk with banks, savings and loans, credit unions, and other lenders. If you choose to use a mortgage broker, remember they arrange loans but most do not lend directly. Compare their offers with those of other direct lenders.

Be wary of home repair contractors that offer to arrange financing. You should still talk with other lenders to make sure you get the best deal. You may want to have the loan proceeds sent directly to you, not the contractor.

**Comparison shop.** Comparing loan plans can help you get a better deal. Whether you begin your shopping by reading ads in your local newspapers, searching on the Internet, or looking in the phone book, ask lenders to explain the best loan plans they have for you. Beware of loan terms and conditions that may mean higher costs for you. Get answers to these questions:

### Interest Rate and Payments

- What are the monthly payments? Ask yourself if you can afford them.
- What is the annual percentage rate (APR) on the loan? The APR is the cost of credit, expressed as a yearly rate. You can use the APR to compare one loan with another.
- Will the interest rate change during the life of the loan? If so, when, how often, and by how much?

### Term of Loan

- How many years will you have to repay the loan?
- Is this a loan or a line of credit? A loan is for a fixed amount of money for a specific period of time; a line of credit is an amount of money you can draw as you need it.
- Is there a balloon payment—a large single payment at the end of the term after a series of low monthly payments? When the balloon payment is due, you must pay the entire amount.

## Points and Fees

- What will you have to pay in points and fees? One point equals 1 percent of the loan amount (1 point on a \$10,000 loan is \$100). Generally, the higher the points, the lower the interest rate. If points and fees are more than 5 percent of the loan amount, ask why. Traditional financial institutions normally charge between 1 and 3 percent of the loan amount in points and fees.
- Are any of the application fees refundable if you don't get the loan?
- How and how much will the lender or broker be paid? Lenders and brokers may charge points or fees that you must pay at closing or add on to the cost of your loan, or both.

## Penalties

- What is the penalty for late or missed payments?
- What is the penalty if you pay off or refinance the loan early (that is, is there a prepayment penalty)?

## Credit Insurance

- Does the loan package include optional credit insurance, such as credit life, disability, or unemployment insurance? Depending on the type of policy, credit insurance can cover some or all of your payments if you can't make them. Understand that you don't have to buy optional credit insurance—that's why it's called "optional." Don't buy insurance you don't need.
- Credit insurance may be a bad deal for you, especially if the premiums are collected up-front at the closing and financed as part of the loan. If you want optional credit insurance, ask if you can pay for it on a monthly basis after the loan is approved and closed. With monthly insurance premiums, you don't pay interest and you can decide to cancel if the premiums are too high or if you believe you no longer want the insurance.

**After you have answers to these questions**, start negotiating with more than one lender. Don't be afraid to make lenders and brokers compete for your business by letting them know you are shopping for the best deal. Ask each lender to lower the points, fees, or interest rate. And ask each to meet—or beat—the terms of the other lenders.

## Once You've Selected a Lender, Get the Following

- A "Good Faith Estimate" of all loan charges. The estimate must be sent within 3 days of applying.
- Blank copies of the forms you'll sign at closing, when the loan is final. Study them. If you don't understand something, ask for an explanation.
- Advance copies of the forms you'll sign at closing with the terms filled in. A week or two before closing, contact the lender to find out if there have been any changes in the Good Faith Estimate. By law, you can inspect the settlement statement (also called the HUD-1 or HUD-1A form) one day prior to closing. Study these forms. Write down any questions you want to ask.

## Think Twice before You Sign

- Have a knowledgeable friend, relative, attorney, or housing counselor review the Good Faith Estimate and other loan papers before you sign the loan contract. Be sure the terms are the same ones you agreed to. For example, a lender should not promise one APR and then—without good reason— increase it at closing.
- Refer to the list of questions you've written down. Ask where these terms are covered in the loan contract. And ask for an explanation of any dollar amount or term you don't understand. Don't let anyone rush you into signing the loan contract.

- Make sure all promises, oral and otherwise, are put in writing. It's only what's in writing that counts.
- Get a copy of the documents you signed before you leave the closing.

### **Don't Sign on the Dotted Line if the Lender ...**

- Tells you to falsify information on the loan application (for example, suggests that you write down more income than you really have).
- Pressures you into applying for a loan for more money than you need, or one that has monthly payments larger than you can afford.
- Promises one set of terms but gives you another with no good reason for the change.
- Tells you to sign blank forms or forms that aren't completely filled in. If an item is supposed to be blank, draw a line through the space and initial it.
- Pressures you to sign today. A good deal today should be available tomorrow.

## **Know that You Have Rights under the Law**

### **You Have 3 Business Days to Cancel the Loan**

If you're using your home as security for a home equity loan (or for a second mortgage loan or a line of credit), federal law gives you 3 business days after signing the loan papers to cancel the deal—for any reason—without penalty. You must cancel in writing. The lender must return any money you have paid to date.

### **Do You Think You've Made a Mistake?**

Has the 3-day period during which you may cancel passed and you're worried that you've gotten in over your head? Do you think your loan fees were too high? Do you believe you were steered into monthly payments you can't afford? Has your lender repeatedly pressured you to refinance? Is your loan covered by insurance you don't need or want?

If you think you've been taken advantage of, state and federal laws may protect you. Also, the following organizations may be able to help:

- Your local or state bar association—sometimes listed under “Lawyers Referral Service” in the Yellow Pages of your phone book. The association may be able to refer you to low-cost or no-cost lawyers who can help.
- Your local consumer protection agency, state attorney general's office, or state office on aging, listed in the Blue Pages of your phone book.
- Your local fair housing group or affordable housing agency, housing counseling agency, or state housing agency.

You can learn more about credit and home equity loans by visiting the federal government's web site for consumers, [www.consumer.gov](http://www.consumer.gov) (see the Home and Community section). If you don't have access to the Internet, ask a friend or relative to get the information for you. Or visit your local library or senior center, which may offer you free access to the Internet on their computers.

# For More Information

## State Banks that Are Members of the Federal Reserve System

Division of Consumer and Community Affairs  
Mail Stop 801  
Federal Reserve Board  
Washington, DC 20551  
(202) 452-3693  
[www.federalreserve.gov](http://www.federalreserve.gov)

## Federally Insured State Non-Member Banks and Savings Banks

Federal Deposit Insurance Corporation  
Consumer Response Center  
2345 Grand Boulevard, Suite 100  
Kansas City, Missouri 64108  
(877) 275-3342  
[www.fdic.gov](http://www.fdic.gov)

## National Banks and National Bank-Owned Mortgage Companies

Office of the Comptroller of the Currency  
Customer Assistance Group  
1301 McKinney Street  
Suite 3450  
Houston, TX 77010  
(800) 613-6743  
[www.occ.treas.gov](http://www.occ.treas.gov)

## Federally Insured Savings and Loan Institutions and Federally Chartered Savings Banks

Office of Thrift Supervision  
Consumer Programs  
1700 G Street, N.W., 6th Floor  
Washington, DC 20552  
(800) 842-6929  
[www.ots.treas.gov](http://www.ots.treas.gov)

## Federal Credit Unions

National Credit Union Administration  
Office of Public and Congressional Affairs  
1775 Duke Street  
Alexandria, VA 22314  
(703) 518-6330  
[www.ncua.gov](http://www.ncua.gov) For state-chartered credit unions, contact your state's regulatory agency.

**Mortgage Companies and Other Lenders** Federal Trade Commission Consumer Response Center 600 Pennsylvania Avenue, N.W.  
Washington, DC 20580 (877) FTC-HELP (877-382-4357, toll free) [www.ftc.gov](http://www.ftc.gov)

**Other Information Sources** U.S. Department of Justice Civil Rights Division 950 Pennsylvania Ave., N.W. Housing and Civil Enforcement  
Section, NWB Washington, DC 20530 (202) 514-4713 [www.usdoj.gov/crt/housing/index.html](http://www.usdoj.gov/crt/housing/index.html)

Federal Housing Finance Board 1777 F Street, N.W. Washington, DC 20006 (202) 408-2500 [www.fhfb.gov](http://www.fhfb.gov)

Department of Housing and Urban Development 451 7th Street, S.W. Washington, DC 20410

800-669-9777 (voice) 800-927-9275 (TTY) [www.hud.gov](http://www.hud.gov)

Office of Federal Housing Enterprise Oversight (OFHEO)

1700 G Street, N.W.  
4th Floor  
Washington, DC 20552  
(202) 414-6922  
[www.ofheo.gov](http://www.ofheo.gov)

Raritan Bay Federal Credit Union 491 Raritan Street Sayreville, NJ 08872  
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# What you should know about home equity lines of credit



Consumer Financial  
Protection Bureau

January 2014



This booklet was initially prepared by the Board of Governors of the Federal Reserve System. The Consumer Financial Protection Bureau (CFPB) has made technical updates to the booklet to reflect new mortgage rules under Title XIV of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). A larger update of this booklet is planned in the future to reflect other changes under the Dodd-Frank Act and to align with other CFPB resources and tools for consumers as part of the CFPB's broader mission to educate consumers. Consumers are encouraged to visit the CFPB's website at [consumerfinance.gov/owning-a-home](http://consumerfinance.gov/owning-a-home) to access interactive tools and resources for mortgage shoppers, which are expected to be available beginning in 2014.

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# 1. Introduction

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

## 1.1 Home equity plan checklist

Ask your lender to help you fill out this worksheet.

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

Basic features for comparison (continued)	Plan A	Plan B
Repayment period		
Initial fees		
Appraisal fee		
Application fee		
Up-front charges, including points		
Closing costs		
Repayment terms		
During the draw period		
Interest and principal payments		
Interest-only payments		
Fully amortizing payments		
When the draw period ends		
Balloon payment?		
Renewal available?		
Refinancing of balance by lender?		

## 2. What is a home equity line of credit?

A home equity line of credit is a form of revolving credit in which your home serves as collateral. Because a home often is a consumer's most valuable asset, many homeowners use home equity credit lines only for major items, such as education, home improvements, or medical bills, and choose not to use them for day-to-day expenses.

With a home equity line, you will be approved for a specific amount of credit. Many lenders set the credit limit on a home equity line by taking a percentage (say, 75 percent) of the home's appraised value and subtracting from that the balance owed on the existing mortgage. For example:

Appraised value of home	\$100,000
Percentage	x 75%
Percentage of appraised value	= \$75,000
Less balance owed on mortgage	– \$40,000
<b>Potential line of credit</b>	<b>\$35,000</b>

In determining your actual credit limit, the lender will also consider your ability to repay the loan (principal and interest) by looking at your income, debts, and other financial obligations as well as your credit history.

Many home equity plans set a fixed period during which you can borrow money, such as 10 years. At the end of this “draw period,” you may be allowed to renew the credit line. If your plan

does not allow renewals, you will not be able to borrow additional money once the period has ended. Some plans may call for payment in full of any outstanding balance at the end of the period. Others may allow repayment over a fixed period (the “repayment period”), for example, 10 years.

Once approved for a home equity line of credit, you will most likely be able to borrow up to your credit limit whenever you want. Typically, you will use special checks to draw on your line. Under some plans, borrowers can use a credit card or other means to draw on the line.

There may be other limitations on how you use the line. Some plans may require you to borrow a minimum amount each time you draw on the line (for example, \$300) or keep a minimum amount outstanding. Some plans may also require that you take an initial advance when the line is set up.

## 2.1 What should you look for when shopping for a plan?

If you decide to apply for a home equity line of credit, look for the plan that best meets your particular needs. Read the credit agreement carefully, and examine the terms and conditions of various plans, including the annual percentage rate (APR) and the costs of establishing the plan. Remember, though, that the APR for a home equity line is based on the interest rate alone and will not reflect closing costs and other fees and charges, so you’ll need to compare these costs, as well as the APRs, among lenders.

### 2.1.1 Variable interest rates

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

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

Variable-rate plans secured by a dwelling must, by law, have a ceiling (or cap) on how much your interest rate may increase over the life of the plan. Some variable-rate plans limit how much your payment may increase and how low your interest rate may fall if the index drops.

Some lenders allow you to convert from a variable interest rate to a fixed rate during the life of the plan, or let you convert all or a portion of your line to a fixed-term installment loan.

## 2.2 Costs of establishing and maintaining a home equity line

Many of the costs of setting up a home equity line of credit are similar to those you pay when you get a mortgage. For example:

- A fee for a property appraisal to estimate the value of your home;
- An application fee, which may not be refunded if you are turned down for credit;
- Up-front charges, such as one or more “points” (one point equals 1 percent of the credit limit); and
- Closing costs, including fees for attorneys, title search, mortgage preparation and filing, property and title insurance, and taxes.

In addition, you may be subject to certain fees during the plan period, such as annual membership or maintenance fees and a transaction fee every time you draw on the credit line.

You could find yourself paying hundreds of dollars to establish the plan. And if you were to draw only a small amount against your credit line, those initial charges would substantially increase the cost of the funds borrowed. On the other hand, because the lender’s risk is lower than for other forms of credit, as your home serves as collateral, annual percentage rates for home equity lines are generally lower than rates for other types of credit. The interest you save could offset the costs of establishing and maintaining the line. Moreover, some lenders waive some or all of the closing costs.

## 2.3 How will you repay your home equity plan?

Before entering into a plan, consider how you will pay back the money you borrow. Some plans set a minimum monthly payment that includes a portion of the principal (the amount you borrow) plus accrued interest. But, unlike with typical installment loan agreements, the portion of your payment that goes toward principal may not be enough to repay the principal by the end of the term. Other plans may allow payment of only the interest during the life of the plan, which means that you pay nothing toward the principal. If you borrow \$10,000, you will owe that amount when the payment plan ends.

Regardless of the minimum required payment on your home equity line, you may choose to pay more, and many lenders offer a choice of payment options. However, some lenders may require you to pay special fees or penalties if you choose to pay more, so check with your lender. Many consumers choose to pay down the principal regularly as they do with other loans. For example, if you use your line to buy a boat, you may want to pay it off as you would a typical boat loan.

Whatever your payment arrangements during the life of the plan—whether you pay some, a little, or none of the principal amount of the loan—when the plan ends, you may have to pay the entire balance owed, all at once. You must be prepared to make this “balloon payment” by refinancing it with the lender, by obtaining a loan from another lender, or by some other means. If you are unable to make the balloon payment, you could lose your home.

If your plan has a variable interest rate, your monthly payments may change. Assume, for example, that you borrow \$10,000 under a plan that calls for interest-only payments. At a 10 percent interest rate, your monthly payments would be \$83. If the rate rises over time to 15 percent, your monthly payments will increase to \$125. Similarly, if you are making payments that cover interest plus some portion of the principal, your monthly payments may increase, unless your agreement calls for keeping payments the same throughout the plan period.

If you sell your home, you will probably be required to pay off your home equity line in full immediately. If you are likely to sell your home in the near future, consider whether it makes sense to pay the up-front costs of setting up a line of credit. Also keep in mind that renting your home may be prohibited under the terms of your agreement.



## 2.4 Line of credit vs. traditional second mortgage loans

If you are thinking about a home equity line of credit, you might also want to consider a traditional second mortgage loan. This type of loan provides you with a fixed amount of money, repayable over a fixed period. In most cases, the payment schedule calls for equal payments that pay off the entire loan within the loan period. You might consider a second mortgage instead of a home equity line if, for example, you need a set amount for a specific purpose, such as an addition to your home.

In deciding which type of loan best suits your needs, consider the costs under the two alternatives. Look at both the APR and other charges. Do not, however, simply compare the APRs, because the APRs on the two types of loans are figured differently:

- The APR for a traditional second mortgage loan takes into account the interest rate charged plus points and other finance charges.
- The APR for a home equity line of credit is based on the periodic interest rate alone. It does not include points or other charges.

### 2.4.1 Disclosures from lenders

The federal Truth in Lending Act requires lenders to disclose the important terms and costs of their home equity plans, including the APR, miscellaneous charges, the payment terms, and information about any variable-rate feature. And in general, neither the lender nor anyone else may charge a fee until after you have received this information. You usually get these disclosures when you receive an application form, and you will get additional disclosures before the plan is opened. If any term (other than a variable-rate feature) changes before the plan is opened, the lender must return all fees if you decide not to enter into the plan because of the change. Lenders are also required to provide you with a list of homeownership counseling organizations in your area.

When you open a home equity line, the transaction puts your home at risk. If the home involved is your principal dwelling, the Truth in Lending Act gives you three days from the day the account was opened to cancel the credit line. This right allows you to change your mind for any reason. You simply inform the lender in writing within the three-day period. The lender must

then cancel its security interest in your home and return all fees— including any application and appraisal fees—paid to open the account.

The Home Ownership and Equity Protection Act of 1994 (HOEPA) addresses certain unfair practices and establishes requirements for certain loans with high rates and fees, including certain additional disclosures. HOEPA now covers some HELOCs. You can find out more information by contacting the CFPB at the website address and phone number listed in the Contact information appendix, below.

## 2.5 What if the lender freezes or reduces your line of credit?

Plans generally permit lenders to freeze or reduce a credit line if the value of the home “declines significantly” or when the lender “reasonably believes” that you will be unable to make your payments due to a “material change” in your financial circumstances. If this happens, you may want to:

- **Talk with your lender.** Find out what caused the lender to freeze or reduce your credit line and what, if anything, you can do to restore it. You may be able to provide additional information to restore your line of credit, such as documentation showing that your house has retained its value or that there has not been a “material change” in your financial circumstances. You may want to get copies of your credit reports (go to the CFPB’s website at [consumerfinance.gov/askcfpb/5/can-i-review-my-credit-report.html](https://consumerfinance.gov/askcfpb/5/can-i-review-my-credit-report.html) for information about how to get free copies of your credit reports) to make sure all the information in them is correct. If your lender suggests getting a new appraisal, be sure you discuss appraisal firms in advance so that you know they will accept the new appraisal as valid.
- **Shop around for another line of credit.** If your lender does not want to restore your line of credit, shop around to see what other lenders have to offer. If another lender is willing to offer you a line of credit, you may be able to pay off your original line of credit and take out another one. Keep in mind, however, that you may need to pay some of the same application fees you paid for your original line of credit.

## APPENDIX A:

# Defined terms

This glossary provides general definitions for terms commonly used in the real estate market. They may have different legal meanings depending on the context.

### DEFINED TERM

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**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.

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**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.

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**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.

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**BALLOON PAYMENT**

A large extra payment that may be charged at the end of a mortgage loan or lease.

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**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.

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**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.

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**CREDIT LIMIT**

The maximum amount that may be borrowed on a credit card or under a home equity line of credit plan.

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**EQUITY**

The difference between the fair market value of the home and the outstanding balance on your mortgage plus any outstanding home equity loans.

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**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](https://consumerfinance.gov/f/201204_CFPB_ARMs-brochure.pdf)) for examples of common indexes that have changed in the past.

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**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.

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**MARGIN**

The number of percentage points the lender adds to the index rate to calculate the adjustable-rate-mortgage interest rate at each adjustment.

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**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.

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**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.

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**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."

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**TRANSACTION FEE**

Fee charged each time a withdrawal or other specified transaction is made on a line of credit, such as a balance transfer fee or a cash advance fee.

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**VARIABLE RATE**

An interest rate that changes periodically in relation to an index, such as the prime rate. Payments may increase or decrease accordingly.

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## APPENDIX B:

# More information

For more information about mortgages, including home equity lines of credit, visit [consumerfinance.gov/mortgage](https://consumerfinance.gov/mortgage). For answers to questions about mortgages and other financial topics, visit [consumerfinance.gov/askcfpb](https://consumerfinance.gov/askcfpb). You may also visit the CFPB's website at [consumerfinance.gov/owning-a-home](https://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](https://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](https://consumerfinance.gov/complaint) or by calling (855) 411-CFPB (2372).

When you submit a complaint to the CFPB, the CFPB will forward your complaint to the company and work to get a response. Companies have 15 days to respond to you and the CFPB. You can review the company's response and give feedback to the CFPB.

## APPENDIX C:

# Contact information

For additional information or to submit a complaint, you can contact the CFPB or one of the other federal agencies listed below, depending on the type of institution. If you are not sure which agency to contact, you can submit a complaint to the CFPB and if the CFPB determines that another agency would be better able to assist you, the CFPB will refer your complaint to that agency and let you know.

Regulatory agency	Regulated entities	Contact information
<b>Consumer Financial Protection Bureau (CFPB)</b> P.O. Box 4503 Iowa City, IA 52244	Insured depository institutions and credit unions with assets greater than \$10 billion (and their affiliates), and non-bank providers of consumer financial products and services, including mortgages, credit cards, debt collection, consumer reports, prepaid cards, private education loans, and payday lending	(855) 411-CFPB (2372) <a href="https://consumerfinance.gov">consumerfinance.gov</a> <a href="https://consumerfinance.gov/complaint">consumerfinance.gov/complaint</a>
<b>Board of Governors of the Federal Reserve System (FRB)</b> Consumer Help P.O. Box 1200 Minneapolis, MN 55480	Federally insured state-chartered bank members of the Federal Reserve System	(888) 851-1920 <a href="https://federalreserveconsumerhelp.gov">federalreserveconsumerhelp.gov</a>

Regulatory agency	Regulated entities	Contact information
<p><b>Office of the Comptroller of the Currency (OCC)</b>  Customer Assistance Group  1301 McKinney Street  Suite 3450  Houston, TX 77010</p>	<p>National banks and federally chartered savings banks/associations</p>	<p>(800) 613-6743  <a href="http://occ.treas.gov">occ.treas.gov</a>  <a href="http://helpwithmybank.gov">helpwithmybank.gov</a></p>
<p><b>Federal Deposit Insurance Corporation (FDIC)</b>  Consumer Response Center  1100 Walnut Street,  Box #11  Kansas City, MO 64106</p>	<p>Federally insured state-chartered banks that are not members of the Federal Reserve System</p>	<p>(877) ASK-FDIC or  (877) 275-3342  <a href="http://fdic.gov">fdic.gov</a>  <a href="http://fdic.gov/consumers">fdic.gov/consumers</a></p>
<p><b>Federal Housing Finance Agency (FHFA) Consumer Communications</b>  Constitution Center  400 7th Street, S.W.  Washington, DC 20024</p>	<p>Fannie Mae, Freddie Mac, and the Federal Home Loan Banks</p>	<p>Consumer Helpline  (202) 649-3811  <a href="http://fhfa.gov">fhfa.gov</a>  <a href="http://fhfa.gov/Default.aspx?Page=369">fhfa.gov/Default.aspx?Page=369</a>  <a href="mailto:ConsumerHelp@fhfa.gov">ConsumerHelp@fhfa.gov</a></p>
<p><b>National Credit Union Administration (NCUA)</b>  Consumer Assistance  1775 Duke Street  Alexandria, VA 22314</p>	<p>Federally chartered credit unions</p>	<p>(800) 755-1030  <a href="http://ncua.gov">ncua.gov</a>  <a href="http://mycreditunion.gov">mycreditunion.gov</a></p>
<p><b>Federal Trade Commission (FTC)</b>  Consumer Response Center  600 Pennsylvania Ave, N.W.  Washington, DC 20580</p>	<p>Finance companies, retail stores, auto dealers, mortgage companies and other lenders, and credit bureaus</p>	<p>(877) FTC-HELP or  (877) 382-4357  <a href="http://ftc.gov">ftc.gov</a>  <a href="http://ftc.gov/bcp">ftc.gov/bcp</a></p>



Regulatory agency	Regulated entities	Contact information
<p><b>Securities and Exchange Commission (SEC)</b>  Complaint Center  100 F Street, N.E.  Washington, DC 20549</p>	<p>Brokerage firms, mutual fund companies, and investment advisers</p>	<p>(202) 551-6551  <a href="http://sec.gov">sec.gov</a>  <a href="http://sec.gov/complaint/select.shtml">sec.gov/complaint/select.shtml</a></p>
<p><b>Farm Credit Administration Office of Congressional and Public Affairs</b>  1501 Farm Credit Drive  McLean, VA 22102</p>	<p>Agricultural lenders</p>	<p>(703) 883-4056  <a href="http://fca.gov">fca.gov</a></p>
<p><b>Small Business Administration (SBA)</b>  Consumer Affairs  409 3<sup>rd</sup> Street, S.W.  Washington, DC 20416</p>	<p>Small business lenders</p>	<p>(800) U-ASK-SBA or  (800) 827-5722  <a href="http://sba.gov">sba.gov</a></p>
<p><b>Commodity Futures Trading Commission (CFTC)</b>  1155 21<sup>st</sup> Street, N.W.  Washington, DC 20581</p>	<p>Commodity brokers, commodity trading advisers, commodity pools, and introducing brokers</p>	<p>(866) 366-2382  <a href="http://cftc.gov/ConsumerProtection/index.htm">cftc.gov/ConsumerProtection/index.htm</a></p>

Regulatory agency	Regulated entities	Contact information
<p><b>U.S. Department of Justice (DOJ)</b>            Civil Rights Division            950 Pennsylvania Ave, N.W.            Housing and Civil Enforcement Section            Washington DC 20530</p>	<p>Fair lending and housing issues</p>	<p>(202) 514-4713            TTY-(202) 305-1882            FAX-(202) 514-1116            To report an incident of housing discrimination:            1-800-896-7743  <a href="mailto:fairhousing@usdoj.gov">fairhousing@usdoj.gov</a></p>
<p><b>Department of Housing and Urban Development (HUD)</b> Office of Fair Housing/Equal Opportunity            451 7<sup>th</sup> Street, S.W.            Washington, DC 20410</p>	<p>Fair lending and housing issues</p>	<p>(800) 669-9777  <a href="http://hud.gov/complaints">hud.gov/complaints</a></p>