Penn State Federal
That's my Credit Union

Home Equity Line of Credit Loan Application

Thank you for choosing Penn State Federal Credit Union for your financial needs. Attached are the forms necessary to process your Home Equity loan application. Please review these materials, complete and sign the documents, and return to the Credit Union.

We will begin processing your application as soon as it is received; however it may take up to three weeks for the Credit Union to receive the appraisal once an appraiser has inspected the property. A Lending Service Representative will keep you updated on the progress of your application or any additional information that may be needed to complete the processing of your application.

Penn State Federal must be listed on your homeowner's policy as the mortgagee and the Credit Union must receive a copy of the insurance binder on each renewal date. Proof of this insurance is required at the time of settlement. In some instances flood insurance may also be required.

For faster processing, fax all forms to (814) 865-9041. Mail, or drop off the original, signed documents. If you have any questions regarding these forms, please ask your Lending Service Representative for more information. The Loan Department can be contacted by telephone at (814) 863-0549 or 800-828-4636 (Select Option 2), by fax at (814) 865-9041, or by email at loans@pennstatefederal.com.

Home Equity loans are available in Pennsylvania only.

1937 North Atherton Street ●
State College, PA 16803 ●
P. (814) 865-7728 ●
P. (800) 828-4636 ●
ww.PennStateFederal.com ●

REVISED 2.2025

Penn State Federal Credit Union
123 Amberleigh Lane ●
Bellefonte, PA 16823 ●
P. (814) 865-7728 ●
P. (800) 828-4636 ●
F. (814) 863-6183 ●
www.PennStateFederal.com ●

LOANLINER®

Application

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

Joint Credit: Each Applicant must **individually** complete the appropriate section below. If Co-Borrower is spouse of the Applicant, mark the Co-Applicant box.
Guarantor: Complete the **Other** section if you are a guarantor on an account/loan.

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

☐ **LOANLINER Account/Loan:** ☐ Individual ☐ Joint
(Including ATM/Debit Card Access to the Account if Available)
Amount Requested $
Purpose/Collateral:
Repayment: ☐ Payroll Deduction ☐ Cash ☐ Military Allotment ☐ Automatic Payment

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

APPLICANT

NAME

MOTHER'S MAIDEN NAME | ACCOUNT NUMBER

SOCIAL SECURITY NUMBER | DRIVER'S LICENSE NUMBER/STATE

AGES OF DEPENDENTS | EMAIL ADDRESS

BIRTH DATE | HOME PHONE | BUSINESS PHONE/EXT.

PRESENT ADDRESS (Street - City - State - Zip) | ☐ OWN ☐ RENT | LENGTH AT RESIDENCE

PREVIOUS ADDRESS (Street - City - State - Zip) | ☐ OWN ☐ RENT | LENGTH AT RESIDENCE

COMPLETE FOR JOINT CREDIT, SECURED CREDIT OR IF YOU LIVE IN A COMMUNITY PROPERTY STATE:
☐ MARRIED ☐ SEPARATED ☐ UNMARRIED (Single - Divorced - Widowed)

EMPLOYMENT/INCOME

NAME AND ADDRESS OF EMPLOYER

TITLE/GRADE | START DATE | HOURS AT WORK

SUPERVISOR'S NAME | IF SELF EMPLOYED, TYPE OF BUSINESS

NOTICE: ALIMONY, CHILD SUPPORT, OR SEPARATE MAINTENANCE INCOME NEED NOT BE REVEALED IF YOU DO NOT CHOOSE TO HAVE IT CONSIDERED.

EMPLOYMENT INCOME
$_____ Per _____
☐ NET ☐ GROSS

OTHER INCOME
$_____ Per _____
SOURCE

MILITARY: IS DUTY STATION TRANSFER EXPECTED DURING NEXT YEAR? ☐ YES ☐ NO
WHERE | ENDING/SEPARATION DATE

PREVIOUS EMPLOYER NAME AND ADDRESS IF EMPLOYED LESS THAN FIVE YEARS | STARTING DATE | ENDING DATE

REFERENCE

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

OTHER

☐ **CO-APPLICANT** ☐ **SPOUSE** ☐ **OTHER**

NAME

MOTHER'S MAIDEN NAME | ACCOUNT NUMBER

SOCIAL SECURITY NUMBER | DRIVER'S LICENSE NUMBER/STATE

AGES OF DEPENDENTS | EMAIL ADDRESS

BIRTH DATE | HOME PHONE | BUSINESS PHONE/EXT.

PRESENT ADDRESS (Street - City - State - Zip) | ☐ OWN ☐ RENT | LENGTH AT RESIDENCE

PREVIOUS ADDRESS (Street - City - State - Zip) | ☐ OWN ☐ RENT | LENGTH AT RESIDENCE

COMPLETE FOR JOINT CREDIT, SECURED CREDIT OR IF YOU LIVE IN A COMMUNITY PROPERTY STATE:
☐ MARRIED ☐ SEPARATED ☐ UNMARRIED (Single - Divorced - Widowed)

EMPLOYMENT/INCOME

NAME AND ADDRESS OF EMPLOYER

TITLE/GRADE | START DATE | HOURS AT WORK

SUPERVISOR'S NAME | IF SELF EMPLOYED, TYPE OF BUSINESS

NOTICE: ALIMONY, CHILD SUPPORT, OR SEPARATE MAINTENANCE INCOME NEED NOT BE REVEALED IF YOU DO NOT CHOOSE TO HAVE IT CONSIDERED.

EMPLOYMENT INCOME
$_____ Per _____
☐ NET ☐ GROSS

OTHER INCOME
$_____ Per _____
SOURCE

MILITARY: IS DUTY STATION TRANSFER EXPECTED DURING NEXT YEAR? ☐ YES ☐ NO
WHERE | ENDING/SEPARATION DATE

PREVIOUS EMPLOYER NAME AND ADDRESS IF EMPLOYED LESS THAN FIVE YEARS | STARTING DATE | ENDING DATE

REFERENCE

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

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WHAT YOU OWE	CREDITOR NAME OTHER THAN THIS CREDIT UNION (Attach additional sheet(s) if necessary)	INTEREST RATE	PRESENT BALANCE	MONTHLY PAYMENT	OWED BY APPLICANT	OWED BY OTHER
			$	$	☐	☐
			$	$	☐	☐
			$	$	☐	☐
			$	$	☐	☐
			$	$	☐	☐
			$	$	☐	☐
			$	$	☐	☐
			$	$	☐	☐
			$	$	☐	☐
			$	$	☐	☐
			$	$	☐	☐
			$	$	☐	☐
			$	$	☐	☐
			$	$	☐	☐
LIST ANY NAMES UNDER WHICH YOUR CREDIT REFERENCES AND CREDIT HISTORY CAN BE CHECKED:		**TOTALS**	**$ 0.00**	**$ 0.00**		

WHAT YOU OWN	LIST LOCATION OF PROPERTY OR FINANCIAL INSTITUTION	MARKET VALUE	PLEDGED AS COLLATERAL FOR ANOTHER LOAN	OWNED BY APPLICANT	OWNED BY OTHER
		$	☐ YES ☐ NO	☐	☐
		$	☐ YES ☐ NO	☐	☐
		$	☐ YES ☐ NO	☐	☐
		$	☐ YES ☐ NO	☐	☐
		$	☐ YES ☐ NO	☐	☐
		$	☐ YES ☐ NO	☐	☐
		$	☐ YES ☐ NO	☐	☐
		$	☐ YES ☐ NO	☐	☐
		$	☐ YES ☐ NO	☐	☐

OTHER INFORMATION ABOUT YOU

IF YOU ANSWER "YES" TO ANY QUESTION OTHER THAN #1, EXPLAIN ON AN ATTACHED SHEET

	APPLICANT	OTHER
1. ARE YOU A U.S. CITIZEN OR PERMANENT RESIDENT ALIEN?	☐	
2. DO YOU CURRENTLY HAVE ANY OUTSTANDING JUDGMENTS OR HAVE YOU EVER FILED FOR BANKRUPTCY, HAD A DEBT ADJUSTMENT PLAN CONFIRMED UNDER CHAPTER 13, HAD PROPERTY FORECLOSED UPON OR REPOSSESSED IN THE LAST 7 YEARS, OR BEEN A PARTY IN A LAWSUIT?	☐	☐
3. IS YOUR INCOME LIKELY TO DECLINE IN THE NEXT TWO YEARS?	☐	☐
4. 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):

STATE LAW NOTICES

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

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

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 what you owe. If there are any important changes you will notify us in writing immediately. You authorize the Credit Union to obtain credit reports in connection with this application for credit and for any update, increase, renewal, extension or collection of the credit received. You understand that the Credit Union will rely on the information in this application and your credit report to make its decision. If you request, the Credit Union will tell you the name and address of any credit bureau from which it received a credit report on you. It is a federal crime to willfully and deliberately provide incomplete or incorrect information on loan applications made to federal credit unions or state chartered credit unions insured by NCUA.

X (SEAL)

APPLICANT'S SIGNATURE DATE

X (SEAL)

OTHER SIGNATURE DATE

FOR CREDIT UNION USE ONLY

DATE		APPROVED LIMITS:	SIGNATURE	LINE OF CREDIT	OTHER	OTHER	DEBT RATIO/SCORE BEFORE AFTER
	☐ APPROVED						
	☐ DENIED (Adverse Action Notice Sent)		$	$	$	$	

LOAN OFFICER COMMENTS:

SIGNATURES:

X DATE

X DATE

AUTOMATIC PAYMENT OPTION

I/we hereby authorize the following payment option on loan #_____:

Loan Payment Option
(Please check desired options)

☐ **Payroll Deduction**

☐ **Automatic Payments**: ☐ Bi-weekly OR ☐ Monthly from PSFCU share account #_____ beginning on _____
(date)

☐ **Cash/Coupon**

_____
Member Signature

_____
Member Signature

NOTICE TO THE HOME LOAN APPLICANT

In connection with your application for a home loan, the lender must disclose to you the score that a consumer reporting agency distributed to users and the lender used in connection with your home loan, and the key factors affecting your credit scores.

The credit score is a computer generated summary calculated at the time of the request and based on data about your credit history and payment patterns. Credit scores are important because they are used to assist the lender in determining whether you will obtain a loan. They may also be used to determine what interest rate you may be offered on the mortgage. Credit scores can change over time, depending on your conduct, how your credit history and payment patterns change, and how credit scoring technologies change.

Because the score is based on information in your credit history, it is very important that you review the credit-related information that is being furnished to make sure it is accurate. Credit records may vary from one company to another.

If you have questions about your credit score or the credit information that is furnished to your, contact the consumer reporting agency at the address and telephone number provided with this notice, or contact the lender, if the lender developed or generated the credit score. The consumer reporting agency plays no part in the decision to take any action on the loan application and is unable to provide you with specific reasons for the decision on a loan application.

If you have questions concerning the terms of the loan, contact the lender.

TransUnion LLC

Consumer Disclosure Center
PO Box 1000
Chester, PA 19022
To order report: 1-800-888-4213
To report fraud: 1-800-916-8800
Web Site: www.transunion.com

Equifax

Equifax Credit Information Services, Inc.
PO BOX 740241
Atlanta, GA 30374
To order report: 1-800-685-1111
To report fraud: 1-800-525-6285
Web Site: www.equifax.com

GOVERNMENT MONITORING REQUEST

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 designations for "Ethnicity" and one or more designations for "Race." The law provides that we may not discriminate on the basis of this information, or on whether you choose to provide it. However, if you choose not to provide the information and you have made this application in person, Federal regulations require us to note your ethnicity, 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.

Applicant:

Ethnicity: – *Check one or more*
Hispanic or Latino

- ☐ Mexican
- ☐ Puerto Rican
- ☐ Cuban
- ☐ Other Hispanic or Latino – *Print origin, for example, Argentinean, Colombian, Dominican, Nicaraguan, Salvadoran, Spaniard, and so on:*

☐ Not Hispanic or Latino

☐ I do not wish to provide this information

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:

Ethnicity: – *Check one or more*
Hispanic or Latino

- ☐ Mexican
- ☐ Puerto Rican
- ☐ Cuban
- ☐ Other Hispanic or Latino – *Print origin, for example, Argentinean, Colombian, Dominican, Nicaraguan, Salvadoran, Spaniard, and so on:*

☐ Not Hispanic or Latino

☐ I do not wish to provide this information

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

FOR CREDIT UNION USE ONLY:

Complete this section only if the applicants elect not to provide this information and the application is taken in person:

Was the ethnicity of the applicant collected on the basis of visual observation or surname?
- ☐ Yes
- ☐ No

Was the race of the applicant collected on the basis of visual observation or surname?
- ☐ Yes
- ☐ No

Was the sex of the applicant collected on the basis of visual observation or surname?
- ☐ Yes
- ☐ No

Was the ethnicity of the co-applicant collected on the basis of visual observation or surname?
- ☐ Yes
- ☐ No

Was the race of the co-applicant collected on the basis of visual observation or surname?
- ☐ Yes
- ☐ No

Was the sex of the co-applicant collected on the basis of visual observation or surname?
- ☐ Yes
- ☐ No

Penn State Federal
Credit Union

123 Amberleigh Lane ●
Bellefonte, PA 16823 ●
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Home Equity Early Disclosure

IMPORTANT TERMS OF OUR HOME EQUITY LINE OF CREDIT PLAN

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

AVAILABILITY OF TERMS: All of the terms described below are subject to change. If these terms change (other than the annual percentage rate) and you decide, as a result, not to enter into an agreement with us, you are entitled to a refund of any fees that you pay to us or anyone else in connection with your application.

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

POSSIBLE ACTIONS: We can terminate your line, require you to pay us the entire outstanding balance in one payment, and charge you certain fees, if (1) you engage in fraud or material misrepresentation in connection with the plan; (2) you do not meet the repayment terms of this plan, or (3) your action or inaction adversely affects the collateral or our rights in the collateral.

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

MINIMUM PAYMENT REQUIREMENTS: You can obtain credit advances for 10 years. This period is called the "draw period." At our option, we may renew or extend the draw period. The length of the repayment period will depend on the outstanding balance at the end of the draw period and changes in the interest rate, if applicable, but will never be greater than 10 years. During the draw period your monthly payment will equal the finance charges (interest) that accrued on the outstanding balance during the preceding month. Your payment will include any amounts past due and any amount by which you have exceeded your credit limit, and all other charges. At the beginning of the repayment period we will recalculate your payment. Your payment will be set to repay the balance at the current annual percentage rate over 10 years. Your payment will include any amounts past due and any amount by which you have exceeded your credit limit and all other charges.

MINIMUM PAYMENT EXAMPLE: If you made only the minimum monthly payment and took no other credit advances it would take 20 years to pay off a credit advance of $10,000 at an **ANNUAL PERCENTAGE RATE** of 6.25%. During that period, you would make 120 payments of $47.95 to $53.08, followed by 119 payments of $112.30 and one (1) final payment of $111.68.

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

Origination Fee: $375.00 (Due at closing)

You must pay certain fees to third parties to open the plan. These fees generally total between $0.00 and $625.00 . If you ask, we will provide you with an itemization of the fees you will have to pay third parties.

The credit union may pay third party fees on your behalf. If we do, and you close your line of credit within 36 months of the opening date, you agree to reimburse us for the bona fide third party fees paid on your behalf, as permitted by applicable law.

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

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

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

VARIABLE RATE FEATURE AND ANNUAL PERCENTAGE RATE: This plan has a variable rate feature during the draw period and the annual percentage rate (corresponding to the periodic rate) and the minimum payment may change as a result. The annual percentage rate includes only interest and no other costs. The annual percentage rate during the draw period is based on the value of an index. The index is the Prime Rate published in the Money Rates column of *The Wall Street Journal*. When a range of rates has been published the highest rate will be used. We will use the most recent index value available to us as of 30 days before the date of any annual percentage rate adjustment. To determine the annual percentage rate that will apply to your account, we add a margin to the value of the Index. Ask us for the current index value, margin and annual percentage rate. After you open a plan, rate information will be provided on periodic statements that we send you.

During the repayment period the annual percentage rate will be a fixed rate. The annual percentage rate includes interest and no other costs. The fixed annual percentage rate during the repayment period will be *The Wall Street Journal* Prime rate index value in effect on the last day of the draw period, plus your margin in effect on the last day of the draw period. An **ANNUAL PERCENTAGE RATE** of 7.0% is representative of a fixed rate offered during the repayment period of this plan. Please ask us for the current fixed rate under this plan.

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RATE CHANGES DURING THE DRAW PERIOD: The annual percentage rate can change on the first day of each month. There is no limit on the amount by which the annual percentage rate can change during any one year period. The maximum **ANNUAL PERCENTAGE RATE** that can apply is 18.0% or the maximum permitted by law, whichever is less. However, under no circumstances will your **ANNUAL PERCENTAGE RATE** go below 3.5% at any time during the term of the plan.

MAXIMUM RATE AND PAYMENT EXAMPLES: If you had an outstanding balance of $10,000 during the draw period, the minimum payment at the maximum **ANNUAL PERCENTAGE RATE** of 18.0% would be $152.88. This annual percentage rate could be reached at the time of the 1st payment. The maximum APR cannot be reached during the repayment period because the APR is a fixed rate.

HISTORICAL EXAMPLE: The following table shows how the annual percentage rate and the minimum payments for a single $10,000 credit advance would have changed based on changes in the index over the past 15 years. The index values are as of the last business day of January of each year. While only one payment per year is shown, payments may have varied during each year. The table assumes that no additional credit advances were taken, that only the minimum payments were made, and that the rate remained constant during each year. It does not necessarily indicate how the index or your payments will change in the future.

WALL STREET JOURNAL PRIME RATE INDEX TABLE

Year (as of the last business day of January)	Index (Percent)	Margin[1] (Percent)	**ANNUAL PERCENTAGE RATE**	Monthly Payment (Dollars)
2012	3.250	-0.500	3.500[2]	$29.73
2013	3.250	-0.500	3.500[2]	$29.73
2014	3.250	-0.500	3.500[2]	$29.73
2015	3.250	-0.500	3.500[2]	$29.73
2016	3.500	-0.500	3.500[2]	$29.73
2017	3.750	-0.500	3.500[2]	$29.73
2018	4.500	-0.500	4.000	$33.97
2019	5.500	-0.500	5.000	$42.47
2020	4.750	-0.500	4.250	$36.10
2021	3.250	-0.500	3.500[2]	$29.73
2022	3.250	-0.500	3.500[2][3]	$98.89
2023	7.500	-0.500	3.500[3]	$98.89
2024	8.500	-0.500	3.500[3]	$98.89
2025	7.500	-0.500	3.500[3]	$98.89
2026	6.750	-0.500	3.500[3]	$98.89

[1] This is a margin we have used recently; your margin may be different.
[2] This **ANNUAL PERCENTAGE RATE** reflects a 3.500% floor.
[3] This **ANNUAL PERCENTAGE RATE** is fixed during the repayment period.

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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. 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 *You borrow against the equity in your home*	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 *You borrow against the equity in your home*	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 *You replace your existing mortgage with a bigger mortgage and take the difference in cash*	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 *You borrow based on your credit, without using your home as collateral*	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 *You borrow from your retirement savings in a 401(k) or similar plan through your current employer*	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) *You must be age 62 or older, and you borrow against the equity in your home*	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 *You borrow money from the credit card company and repay as you go*	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 *You borrow money from someone you are close to*	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 you are in the **borrowing period**, also called the **draw period**. Typically, you use special checks or a credit card to draw on your line. Some plans require you to borrow a minimum amount each time (for example, $300) or keep a minimum amount outstanding. Some plans require you to take an initial amount when the credit line is set up.

MAKE REPAYMENTS DURING THE "DRAW PERIOD"

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

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

ENTER THE "REPAYMENT PERIOD"

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

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

RENEW OR CLOSE OUT THE LINE OF CREDIT

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

TIP

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

GET THREE HELOC ESTIMATES

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

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

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

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

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