CONSUMER LOAN APPLICATION

CREDIT REQUESTED

Account Requested ☐ Individual ☐ Joint We intend to apply for joint credit.	Amt. Requested	# of Payments	Preferred Pmt. Amt.	Preferred Pmt. Day	Market Survey
	Specific Purpose of Loan				
Applicant Co-Applicant	Collateral Offered				

COMPLETION INSTRUCTIONS FOR APPLICANT

Complete the Applicant Information section for the first Applicant. Mark the appropriate box to indicate whether the Applicant is applying as a Borrower, Cosigner, Guarantor, Grantor (of collateral), or Other for a different capacity. If the Applicant is married, he or she may apply for individual credit.

APPLICANT INFORMATION: ☐ Borrower ☐ Cosigner ☐ Guarantor ☐ Grantor ☐ Other: ____________

Applicant's Full Name (First M.I. Last)	Social Security Number	Former Names and Aliases

Home Phone	Date of Birth	Driver's License Number	Ages of Dependents	Years of Education	Years in Current Profession

ADDRESS INFORMATION

Home Address (Street, City, State, Zip Code) (If rural, show Road and Box No)	Since	☐ Own ☐ Rent
Mailing Address (Street or P.O. Box, City, State, Zip Code)		
Previous Home Address (Street, City, State, Zip Code)	From	To

EMPLOYMENT INFORMATION

Applicant's Employer (If Self-Employed, Name and Nature of Business)	Business Address (Street, City, State, Zip Code)

Type of Business	Supervisor	Phone Number	Title / Position	Since	Salary per

Second Employer (If Self-Employed, Name and Nature of Business)	Business Address (Street, City, State, Zip Code)

Type of Business	Supervisor	Phone Number	Title / Position	Since	Salary per

PERSONAL REFERENCES

Name	Address (Street or P.O. Box, City, State, Zip Code)	Phone Number	Relationship

COMPLETION INSTRUCTIONS FOR CO-APPLICANTS

(a) If you are applying for joint credit or will be permitted to use the account, complete the Co-Applicant Information section as a Borrower. (b) If the Applicant is applying for individual credit, but relying on income from alimony, child support, or separate maintenance or on the income or assets of another person as the basis for repayment of the credit requested, complete the Co-Applicant Information section, to the extent possible, providing information about the person on whose alimony, support, or maintenance payments or income or assets the Applicant is relying. (c) If the Applicant resides in a community property state or is relying on property located in such a state as a basis for repayment of the credit requested, complete the Co-Applicant Information section with regard to the Applicant's spouse.

CO-APPLICANT INFORMATION: ☐ Borrower ☐ Cosigner ☐ Guarantor ☐ Grantor ☐ Other: ____________

Co-Applicant's Full Name (First M.I. Last)	Social Security Number	Former Names and Aliases

Home Phone	Date of Birth	Driver's License Number	Ages of Dependents	Years of Education	Years in Current Profession

ADDRESS INFORMATION

Home Address (Street, City, State, Zip Code) (If rural, show Road and Box No)	Since	☐ Own ☐ Rent
Mailing Address (Street or P.O. Box, City, State, Zip Code)		
Previous Home Address (Street, City, State, Zip Code)	From	To

EMPLOYMENT INFORMATION

Co-Applicant's Employer (If Self-Employed, Name and Nature of Business)			Business Address (Street, City, State, Zip Code)		
Type of Business	Supervisor	Phone Number	Title / Position	Since	Salary per
Second Employer (If Self-Employed, Name and Nature of Business)			Business Address (Street, City, State, Zip Code)		
Type of Business	Supervisor	Phone Number	Title / Position	Since	Salary per

PERSONAL REFERENCES

Name	Address (Street or P.O. Box, City, State, Zip Code)	Phone Number	Relationship

QUESTIONS

Applicant (1)	Co-Applicant (2)		Explanation (Please use an attached sheet if necessary.)
☐Yes ☐No	☐Yes ☐No	Are there any outstanding judgments against you?	
☐Yes ☐No	☐Yes ☐No	Have you ever been declared bankrupt?	
☐Yes ☐No	☐Yes ☐No	Have you had property foreclosed upon or given title or deed in lieu thereof in the last 7 years?	
☐Yes ☐No	☐Yes ☐No	Are you party to a lawsuit?	
☐Yes ☐No	☐Yes ☐No	Are you obligated on any loan resulting in judgment, foreclosure or title transfer?	
☐Yes ☐No	☐Yes ☐No	Are you delinquent/in default on any Federal debt, financial obligation, bond, or loan guarantee?	
☐Yes ☐No	☐Yes ☐No	Are you obligated to pay alimony, child support, or separate maintenance?	
☐Yes ☐No	☐Yes ☐No	Is any part of the down payment borrowed?	
☐Yes ☐No	☐Yes ☐No	Are you a co-maker or an endorser on a loan?	
☐Yes ☐No	☐Yes ☐No	Have you ever had merchandise repossessed?	
☐Yes ☐No	☐Yes ☐No	Have you ever been denied credit with this lender?	
☐Yes ☐No ☐Yes ☐No ☐Yes ☐No	☐Yes ☐No ☐Yes ☐No ☐Yes ☐No	Are you a U.S. citizen? If no, are you a resident alien? If no, are you a non-resident alien?	

PREVIOUS CREDIT REFERENCES

Names Credit Listed In	Loan Purpose	Creditor Name and Address	Account Number	Highest Balance	Date Paid
☐ App ☐ CoApp ☐ Other				$	
☐ App ☐ CoApp ☐ Other					
☐ App ☐ CoApp ☐ Other					
☐ App ☐ CoApp ☐ Other					

SCHEDULE OF OTHER INCOME

NOTICE: Alimony, child support or separate maintenance income need not be revealed if you do not wish to have it considered as a basis for repaying this obligation.

Alimony, child support, separate maintenance received under ☐ Court Order ☐ Written Agreement ☐ Oral Understanding ☐ Other

PARTIES INCOME TYPES: A=Alimony/Child Support B=Bonuses C=Commissions I=Interest & Dividends O=Overtime R=Retirement X=Other

App	CoA	Joint	Type	Description	Amount	Frequency

SCHEDULE OF EXPENSES

PARTIES

EXPENSE TYPES: D=Dues-Homeowner Association H=Hazard Insurance P=Private Mortgage Insurance R=Rent T=Taxes (Property) U=Utilities A=Alimony/Child Support C=Child/Dependent Care E=Estimated Living Expenses F=Federal & State Taxes I=Insurance Payments M=Medical O=Other

App	CoA	Joint	Type	Description	Amount	Frequency

SCHEDULE OF LIABILITIES (NON-REAL ESTATE)

PARTIES

LIABILITY TYPES: A=Automobile Loans I=Installment/Revolving T=Third Party Obligations (As Co-Maker or Guarantor) O=Other

App	CoA	Joint	Type	Creditor Name	Account Number	Original Balance	Current Balance	Payments Remaining	Payment Amount	Per

SCHEDULE OF ASSETS (NON-REAL ESTATE)

CASH / ACCOUNTS

PARTIES

ACCOUNT TYPES: C=Checking T=Time Certificate of Deposit I=IRA/SEP M=Money Market Account S=Savings O=Other

App	CoA	Joint	Type	Description	Financial Institution	Account Number	Current Balance	Subject to Debt

STOCKS / BONDS

App	CoA	Joint	Description	Broker / Company	Account Number	Value	Subject to Debt

LIFE INSURANCE

App	CoA	Joint	Description	Agent / Company Name	Policy Number	Face Value	Net Cash Value	Beneficiary	Subject to Debt

BUSINESSES OWNED

App	CoA	Joint	Business Name	Financial Statement Date	Date Received	Value	Subject to Debt

RETIREMENT FUNDS

App	CoA	Joint	Description of Retirement Plan	Year Fully Vested	Value	Subject to Debt

PERSONAL PROPERTY

PARTIES

PROPERTY TYPES: A=Automobiles B=Boats & Recreational Vehicles C=Collectibles H=Household Goods M=Manufactured Homes O=Other

App	CoA	Joint	Type	Description	Value	Subject to Debt	App	CoA	Joint	Type	Description	Value	Subject to Debt

SCHEDULE OF REAL ESTATE OWNED

PARTIES TYPES: S=Single Family D=Duplex T=Triplex F=Four-Plex C=Condominium P=P.U.D. L=Land O=Summary/Other

App	CoA	Joint	Type:	Property Disposition: ☐Sold ☐Pending Sale ☐Rental ☐N/A				
			Description	Property Address		Date Acquired	Cost	Principal Residence ☐Yes ☐No
			Current Market Value	Total Mortgages & Liens	Gross Rental Income	Taxes, Ins., Maint.	Net Rental Income	
			Creditor 1 Name and Address		Unpaid Bal.	Pmt. Amt. Per		Lien Position ☐First Lien ☐Junior Lien
			Creditor 2 Name and Address		Unpaid Bal.	Pmt. Amt. Per		Lien Position ☐First Lien ☐Junior Lien

App	CoA	Joint	Type:	Property Disposition: ☐Sold ☐Pending Sale ☐Rental ☐N/A				
			Description	Property Address		Date Acquired	Cost	Principal Residence ☐Yes ☐No
			Current Market Value	Total Mortgages & Liens	Gross Rental Income	Taxes, Ins., Maint.	Net Rental Income	
			Creditor 1 Name and Address		Unpaid Bal.	Pmt. Amt. Per		Lien Position ☐First Lien ☐Junior Lien
			Creditor 2 Name and Address		Unpaid Bal.	Pmt. Amt. Per		Lien Position ☐First Lien ☐Junior Lien

App	CoA	Joint	Type:	Property Disposition: ☐Sold ☐Pending Sale ☐Rental ☐N/A				
			Description	Property Address		Date Acquired	Cost	Principal Residence ☐Yes ☐No
			Current Market Value	Total Mortgages & Liens	Gross Rental Income	Taxes, Ins., Maint.	Net Rental Income	
			Creditor 1 Name and Address		Unpaid Bal.	Pmt. Amt. Per		Lien Position ☐First Lien ☐Junior Lien
			Creditor 2 Name and Address		Unpaid Bal.	Pmt. Amt. Per		Lien Position ☐First Lien ☐Junior Lien

CREDIT LIFE AND DISABILITY INSURANCE

Applicant desires the following voluntary insurance: ☐Credit Life ☐Credit Disability ☐Involuntary Unemployment

Co-Applicant desires the following voluntary insurance: ☐Credit Life ☐Credit Disability ☐Involuntary Unemployment

APPLICANT SIGNATURE(S)

I/We hereby apply for the loan or credit described in this application. I/We certify that I/we made no misrepresentations in this loan application or in any related documents, that all information is true and complete, and that I/we did not omit any important information. I/We agree that any property securing the loan or credit will not be used for any illegal or restricted purpose. Lender is authorized to verify with other parties and to make any investigation of my/our credit, either directly or through any agency employed by Lender for that purpose. Lender may disclose to any other interested parties information as to Lender's experiences or transactions with my/our account. I/We understand and agree that Lender may obtain, use and share my state and federal tax return information for purposes of: 1) reviewing and responding to this loan application; 2) originating the loan; 3) servicing the loan; 4) selling or transferring all or a part of the loan or any interest in it; and (5) internal marketing analysis, marketing to me/us, and other marketing as permitted by law. I/We understand that Lender will retain this application and any other credit information Lender receives, even if no loan or credit is granted. These representations, tax return information consent, and authorizations extend not only to Lender, but also to Third Parties, including loan servicers, any insurer of the loan, government agency loan guarantors, marketing companies, and to any investor to whom Lender may sell all or any part of the loan, as well as to the affiliates, agents, and any successors and assigns of Lender and Third Parties. I/We further authorize Lender to provide to any such insurer or investor any information and documentation that they may request with respect to my/our application, credit or loan.

APPLICANT:

X________________ ________ X________________ ________

Applicant **Date** **Co-Applicant** **Date**

FOR LENDER'S USE ONLY

Officer No. / Name	Approved By	Concurrence By (If Needed)	Committee Date	Decision Date
Department	Application Date	Application No.	Commitment No.	Loan No.
Originator Name		Loan Origination Company's Name		
Mortgage Loan Originator Unique Identifier, if applicable:		Mortgage Loan Origination Company Identifier, if applicable:		

Decision and Comments: ☐ Approved ☐ Denied ☐ Incomplete ☐ Counteroffer ☐ Conditional Approval ☐ Withdrawal ☐ Other: ______ ______

APPLICATION ADDENDUM

INFORMATION FOR GOVERNMENT MONITORING PURPOSES

TO BE COMPLETED ONLY IF THE PROCEEDS OF THIS LOAN ARE TO BE UTILIZED FOR THE PURCHASE OR REFINANCE OF AN APPLICANT'S PRINCIPAL DWELLING.

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, please check below.

APPLICANT

- ❑ I do not wish to furnish this information.

Ethnicity:

- ❑ Hispanic or Latino
- ❑ Not Hispanic or Latino

Race or National Origin:

- ❑ American Indian, Alaskan Native
- ❑ Asian
- ❑ Black or African American
- ❑ Native Hawaiian or Other Pacific Islander
- ❑ White

Sex:

- ❑ Female
- ❑ Male

____
Applicant Signature

CO-APPLICANT

- ❑ I do not wish to furnish this information.

Ethnicity:

- ❑ Hispanic or Latino
- ❑ Not Hispanic or Latino

Race or National Origin:

- ❑ American Indian, Alaskan Native
- ❑ Asian
- ❑ Black or African American
- ❑ Native Hawaiian or Other Pacific Islander
- ❑ White

Sex:

- ❑ Female
- ❑ Male

____
Co-Applicant Signature

For Bank Use Only

Application Taken: Face to Face   Telephone Application   Mail or Internet Application

If the government information is not provided by the applicant(s) in a face to face application, the loan officer must complete the ethnicity, race & sex of the applicants above on the basis of visual observation or surname and note the basis for the determination by checking the appropriate box below.

Visual Observation   Surname

Loan Officer: ______________________________   Date: ________________

SIGNATURE AUTHORIZATION FORM
CERTIFICATION OF INFORMATION

I/We hereby authorize **TECUMSEH FEDERAL BANK** to verify my past and present employment earnings records, bank accounts, stock holdings, and other asset balances that are needed to process my mortgage loan application. I/We further authorize **TECUMSEH FEDERAL BANK** to order a consumer credit report and verify other credit information, including past and present mortgage and landlord references. It is understood that a photocopy of this form will also serve as authorization for completing any attached form. I/We also authorize my/our current lender(s) to act upon any request by **TECUMEH FEDERAL BANK** regarding my/our present loan(s), including the issuance of a payoff statement.

I/We also acknowledge by my/our signature below the following Privacy Act Notice Statement:

This information is to be used by the agency collecting it in determining whether you qualify as a prospective mortgagor for mortgage insurance or guaranty or as a borrower for a rehabilitation loan under the agency's program. It will not be disclosed outside the agency without your consent except to financial institutions for verification of your deposits and as required and permitted by law. You do not have to give this information, but, if you do not, your application for approval as a prospective mortgagor for mortgage insurance or guaranty or as a borrower for a rehabilitation loan may be delayed or rejected. This information request is authorized by Title 38, U.S.C. Chapter 37 (if VA); by 12 U.S.C., Section 1701 et seq. (if HUD/FHA); and by 42 U.S.C., Section 1452b (if HUD/CPD).

In addition, I/we certify that all information provided by me/us to **TECUMSEH FEDERAL BANK** may be relied upon as true and exact copies of originals and that the data is factual and accurate. Such information includes, but is not limited to, employment history and income; bank, money market, and similar account balances; credit history; copies of income tax returns; copies of W-2s; copies of paystubs.

NOTICE TO BORROWERS: This is notice to you as required by the Right to Financial Privacy Act of 1978 that HUD/FHA has a right of access to financial records held by financial institutions in connection with the consideration or administration of assistance to you. Financial records involving your transaction will be available to: HUD/FHA without further notice or authorization but will not be disclosed or released by this institution to another Government Agency or Department without your consent as required or permitted by law.

APPLICANT	SOCIAL SECURITY NO.	DATE

APPLICANT	SOCIAL SECURITY NO.	DATE

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	$			

GET THREE HELOC ESTIMATES

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

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

My best HELOC offer is: ______________

How variable interest rates work

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

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

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

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

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

Rights and responsibilities

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

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

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

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

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

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

TIP

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

If something changes during the course of the loan

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

- **Talk with your lender.** Find out the reason for the freeze or reduction. You might need to check your credit reports for errors that might have caused a downgrade in your credit. Or, you might need to talk with your lender about a new appraisal on your home and make sure the lender agrees to accept a new appraisal as valid.

- **Shop for another line of credit.** If another lender offers you a line of credit, you may be able to use that to pay off your original line of credit. Application fees and other fees may apply for the new loan.

WELL DONE!

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

In this booklet:

? ASK YOURSELF

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

Have I shopped around for HELOC features and fees?

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

ONLINE TOOLS

CFPB website
cfpb.gov

Answers to common questions
cfpb.gov/askcfpb

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

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

Submit a complaint
cfpb.gov/complaint

Last updated 08/22