



IMPORTANT INFORMATION
WORKSHEET & REQUIRED DOCUMENTS
HOME EQUITY LINE OF CREDIT PACKET

All loans against the homestead are limited to a maximum of 80% of the market value of the property and the Home Equity Line of Credit is limited to 50% of your home's market value.

USE THIS WORKSHEET TO GET AN IDEA OF THE ESTIMATED AMOUNT THAT YOU MAY BE ELIGIBLE TO BORROW:

Calculation #1

Current market value of your home \$
Multiple by 80% x 80%
Credit value of your home = \$
Subtract the balance(s) of your mortgage(s) - \$
Estimated amount you may be eligible to borrow = \$

Calculation #2

Current market value of your home \$
Multiple by 50% x 50%
Maximum amount you could borrow = \$

Place the lesser of the two amounts here \$
This is the amount you may be eligible to borrow as a Home Equity Line of Credit

RATES: Home Equity Line of Credit Rates are variable and are subject to change quarterly. For the most current Home Equity Line of Credit rates, please log on to www.cutx.org or contact our Real Estate department at (972) 301-1989 or toll free (800) 314-3828 ext. 1989.

NECESSARY DOCUMENTS:

- Completed credit application
Notice Concerning Extensions of Credit, signed and dated by all parties
Texas Home Equity Questionnaire, signed by all parties

ADDITIONAL ITEMS MAY BE REQUIRED UPON REVIEW OF THE HOME EQUITY APPLICATION

- Pay Stubs for the most recent 90 days
W2 from the previous year
Copy of the current County Tax Appraisal
Mortgage statement showing the current balance AND the monthly payment
Copy of Warranty Deed
Declarations Page from your Homeowner's Insurance policy - must be current
Property Tax Bill(s) and receipts showing the taxes were paid

If you are self-employed, income comes from commissions, interest, dividends or rental properties, please submit complete tax returns for the last 2 years and YTD Profit & Loss statement.

ADDITIONAL INFORMATION ON HOME EQUITY LOANS:

- Loan Amounts: Minimum loan amount is \$7,000 and the maximum loan amount is \$250,000 for 1st liens and \$150,000 for 2nd liens.
There is no prepayment penalty.
Property must be a single family owner occupied homestead which includes condos, townhomes, or duplexes, however we do not lend against mobile homes or manufactured homes.
The property has to be located in Texas.
A borrower can only have one Home Equity line at a time.
Loan closing will occur at Credit Union of Texas corporate office located at 8131 LBJ Freeway, Suite 550, Dallas TX.
There are NO closing fees.
Return Information: Mail in the packet to PO Box 515719 Dallas Texas 75251 or 8131 LBJ Freeway, Suite 500, Dallas TX 75251; Fax the application to 972-301-1926; Email the packet to realestate@cutx.org; or drop off at any Store location.

APPLICATION

HOME EQUITY LINE OF CREDIT



8131 LBJ FRWY, SUITE 500
P.O. BOX 515719
DALLAS, TEXAS 75251-5719

SECTION A - LOAN AMOUNT REQUEST

HOME EQUITY LINE OF CREDIT (HELOC) AMOUNT REQUESTED \$ _____

SECTION B – BORROWER INFORMATION

Borrower (Last Name) _____ (First Name) _____ (Middle) _____

Membership No. _____ Social Security Number _____ Date of Birth _____

Address _____ (City) _____ TX (Zip) _____

How Long at Current Address? _____ () Married () Separated () Unmarried (incl. single, divorced, widowed) Ages of Dependents _____

Previous Address (if less than 2 years at the current address) _____

Home Phone _____ Work Phone _____ Cell Phone _____

Present Employer Name and Address _____

Position _____ Hire Date _____ Monthly Gross Income _____

Previous Employer (if less than 2 years at current employer) _____

Other Source of Income (such as Alimony, Child Support, or Separate Maintenance Income) _____

SECTION C – CO BORROWER INFORMATION

Co-Borrower (Last Name) _____ (First Name) _____ (Middle) _____

Membership No. _____ Social Security Number _____ Date of Birth _____

Address _____ (City) _____ TX (Zip) _____

How Long at Current Address? _____ () Married () Separated () Unmarried (incl. single, divorced, widowed) Ages of Dependents _____

Previous Address (if less than 2 years at the current address) _____

Home Phone _____ Work Phone _____ Cell Phone _____

Present Employer Name and Address _____

Position _____ Hire Date _____ Monthly Gross Income _____

Previous Employer (if less than 2 years at current employer) _____

Other Source of Income (such as Alimony, Child Support, or Separate Maintenance Income) _____

SECTION D – ASSET INFORMATION

Name of Credit Union, Bank or S&L _____ Acct No _____ \$ _____

Name of Credit Union, Bank or S&L _____ Acct No _____ \$ _____

Name of Credit Union, Bank or S&L _____ Acct No _____ \$ _____

APPLICATION

HOME EQUITY LINE OF CREDIT



SECTION E – ADDITIONAL INFORMATION

1. This home is a single family residence: Yes No
(CUTX will only consider a Home Equity Loan on a single family dwelling that is not a duplex, townhouse, condo, or mobile home.)
2. I/We do or, do not occupy the property as my/our primary residence.
3. I/We have or, have not previously received a Home Equity loan or Home Equity Line of Credit on the subject property in the last 12 months.
4. I/We do or, do not have an existing Home Equity loan or Home Equity Line of Credit on the subject property.
5. Are you an endorser, guarantor or co-maker for others? Yes No If so, please give creditor's name, borrower's name and account number: _____
6. Judgments, Bankruptcy, Garnishment, Legal Proceedings against me? Yes No If yes, what type of proceeding and when did it occur? _____

SECTION F – SIGNATURES

By signing below, borrower(s) (1) authorize CUTX to obtain any information needed to consider this application; (2) agree that this application and all information acquired will remain the property of CUTX whether the loan is granted or not; (3) certify that all information in the application is true and complete (including any financial statements) and is given for the purpose of inducing us to make you a loan; and (4) understand that there may be only one home equity loan against the property, and understand that if there is an existing Home Equity loan on the property any remaining balance on that loan must be included in this new loan request. Signature by two persons below indicates intent to apply for joint credit unless otherwise indicated.

Borrower's Signature

Co-Borrower's Signature

Date

Date

Any person making a false statement or report in connection with this application for the purpose of influencing in any way our action to make any advance, discount, commitment, or loan, or any charge for extension of the same, may be subject to criminal penalties under Federal Law.

INFORMATION FOR GOVERNMENT MONITORING PURPOSES

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. 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 race or national origin and sex on the basis of visual observation or surname. If you do not wish to furnish this information please check below.

Borrower

I do not wish to furnish the information

Ethnicity

- Hispanic or Latino
- Not Hispanic or Latino

Race

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

Sex

- Male
- Female

Co-Borrower

I do not wish to furnish the information

Ethnicity

- Hispanic or Latino
- Not Hispanic or Latino

Race

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

Sex

- Male
- Female

TO BE COMPLETED BY LOAN ORIGINATOR

This information was provided:

In a face to face interview

By the applicant and submitted by fax or mail

In a telephone interview

By the applicant and submitted via email

Loan Originator's Signature: _____ Date: _____

Loan Originator's Name: Credit Union of Texas Loan Originator's Identifier: _____ Loan Originator's Phone No: (972) 263-9497

Loan Origination Company's Address: 8131 LBJ Freeway, Ste 500, Dallas TX 75251 Loan Origination Company Identifier: 576560

Rev. 1/2014



TEXAS HOME EQUITY QUESTIONNAIRE

The questions below are critical to processing your request for a Home Equity loan as defined by Section 50(a)(6) Article XVI of the Texas Constitution. Please circle the appropriate response.

Property Address: _____

- Do you **reside at and own** the above property? Yes or No
- Is the above property your homestead? Yes or No
- Is the above property within the limits of an incorporated city or town? Yes or No
- Is the above property larger than 10 acres and/or have an AG (agricultural) exemption? Yes or No
- Is the above property served by City utilities? Yes or No
- Is the above property served by City fire protection? Yes or No
- Is the above property served by City police protection? Yes or No
- Do you have an AG (agricultural) exemption? Yes or No
- Is the above property in the name of a Trust? Yes or No
- Does anyone else have an ownership interest in the above property besides you or your spouse? All owners must sign most/all documents Yes or No
- Are there any mortgages or debts secured by the above property? Yes or No
- Have you ever obtained cash back on any transaction involving this property? Yes or No
- Powers of Attorney and mail-out closings are unacceptable. Are ALL parties available and capable of signing all documents? Yes or No
- Would you like to receive applicable Home Equity documents from CUTX electronically? Yes or No

If so, please provide an email address for ALL borrowers and/or owners:

I/We acknowledge the above questions and have answered all questions truthfully to induce Credit Union of Texas to extend credit as defined by Section 50(a)(6) Article XVI of the Texas Constitution. I/We understand that Credit Union of Texas relies upon and accepts as true the representations made in this Questionnaire in order to make an extension of credit upon the above described property. I/We understand that certain answers may disqualify me (us) from obtaining a Texas Home Equity loan based on State Laws or on the availability of a suitable loan product from Credit Union of Texas.

Signature Date

Signature Date

DISCLOSURE

NOTICE CONCERNING EXTENSIONS OF CREDIT
CREDIT UNION COPY – Sign and Return



DEFINED BY SECTION 50 (a) (6), ARTICLE XVI, TEXAS CONSTITUTION

SECTION 50 (a) (6), ARTICLE XVI, OF THE TEXAS CONSTITUTION ALLOWS CERTAIN LOANS TO BE SECURED AGAINST THE EQUITY IN YOUR HOME. SUCH LOANS ARE COMMONLY KNOWN AS EQUITY LOANS. IF YOU DO NOT REPAY THE LOAN OR IF YOU FAIL TO MEET THE TERMS OF THE LOAN, THE LENDER MAY FORECLOSE AND SELL YOUR HOME. THE CONSTITUTION PROVIDES THAT:

- (A) THE LOAN MUST BE VOLUNTARILY CREATED WITH THE CONSENT OF EACH OWNER OF YOUR HOME AND EACH OWNER'S SPOUSE;
- (B) THE PRINCIPAL LOAN AMOUNT AT THE TIME THE LOAN IS MADE MUST NOT EXCEED AN AMOUNT THAT, WHEN ADDED TO THE PRINCIPAL BALANCES OF ALL OTHER LIENS AGAINST YOUR HOME, IS MORE THAN 80 PERCENT OF THE FAIR MARKET VALUE OF YOUR HOME;
- (C) THE LOAN MUST BE WITHOUT RECOURSE FOR PERSONAL LIABILITY AGAINST YOU AND YOUR SPOUSE UNLESS YOU OR YOUR SPOUSE OBTAINED THIS EXTENSION OF CREDIT BY ACTUAL FRAUD;
- (D) THE LIEN SECURING THE LOAN MAY BE FORECLOSED UPON ONLY WITH A COURT ORDER;
- (E) FEES AND CHARGES TO MAKE THE LOAN MAY NOT EXCEED 3 PERCENT OF THE LOAN AMOUNT;
- (F) THE LOAN MAY NOT BE AN OPEN-END ACCOUNT THAT MAY BE DEBITED FROM TIME TO TIME OR UNDER WHICH CREDIT MAY BE EXTENDED FROM TIME TO TIME UNLESS IT IS A HOME EQUITY LINE OF CREDIT;
- (G) YOU MAY PREPAY THE LOAN WITHOUT PENALTY OR CHARGE;
- (H) NO ADDITIONAL COLLATERAL MAY BE SECURITY FOR THE LOAN;
- (I) THE LOAN MAY NOT BE SECURED BY HOMESTEAD PROPERTY THAT IS DESIGNATED FOR AGRICULTURAL USE AS OF THE DATE OF CLOSING, UNLESS THE AGRICULTURAL HOMESTEAD PROPERTY IS USED PRIMARILY FOR THE PRODUCTION OF MILK;
- (J) YOU ARE NOT REQUIRED TO REPAY THE LOAN EARLIER THAN AGREED SOLELY BECAUSE THE FAIR MARKET VALUE OF YOUR HOME DECREASES OR BECAUSE YOU DEFAULT ON ANOTHER LOAN THAT IS NOT SECURED BY YOUR HOME;
- (K) ONLY ONE LOAN DESCRIBED BY SECTION 50 (a) (6), ARTICLE XVI, OF THE TEXAS CONSTITUTION MAY BE SECURED WITH YOUR HOME AT ANY GIVEN TIME;
- (L) THE LOAN MUST BE SCHEDULED TO BE REPAYED IN PAYMENTS THAT EQUAL OR EXCEED THE AMOUNT OF ACCRUED INTEREST FOR EACH PAYMENT PERIOD;
- (M) THE LOAN MAY NOT CLOSE BEFORE 12 DAYS AFTER YOU SUBMIT A LOAN APPLICATION TO THE LENDER OR BEFORE 12 DAYS AFTER YOU RECEIVE THIS NOTICE, WHICHEVER DATE IS LATER; AND MAY NOT WITHOUT YOUR CONSENT CLOSE BEFORE ON BUSINESS DAY AFTER THE DATE ON WHICH YOU RECEIVE A COPY OF YOUR LOAN APPLICATION IF NOT PREVIOUSLY PROVIDED AND A FINAL ITEMIZED DISCLOSURE OF THE ACTUAL FEES, POINTS, INTEREST, COSTS, AND CHARGES THAT WILL BE CHARGED AT CLOSING; AND IF YOUR HOME WAS SECURITY FOR THE SAME TYPE OF LOAN WITHIN THE PAST YEAR, A NEW LOAN SECURED BY THE SAME PROPERTY MAY NOT CLOSE BEFORE ONE YEAR HAS PASSED FROM THE CLOSING DATE OF THE OTHER LOAN; UNLESS ON OATH YOU REQUEST AN EARLIER CLOSING DUE TO A DECLARED STATE OF EMERGENCY;
- (N) THE LOAN MAY CLOSE ONLY AT THE OFFICE OF THE LENDER, TITLE COMPANY, OR AN ATTORNEY AT LAW;
- (O) THE LENDER MAY CHARGE ANY FIXED OR VARIABLE RATE OF INTEREST AUTHORIZED BY STATUTE;
- (P) ONLY A LAWFULLY AUTHORIZED LENDER MAY MAKE LOANS DESCRIBED BY SECTION 50 (a) (6), ARTICLE XVI, OF THE TEXAS CONSTITUTION;
- (Q) LOANS DESCRIBED BY SECTION 50 (a) (6), ARTICLE XVI, OF THE TEXAS CONSTITUTION MUST:
 - (1) NOT REQUIRE YOU TO APPLY THE PROCEEDS TO ANOTHER DEBT EXCEPT A DEBT THAT IS SECURED BY YOUR HOME OR OWED TO ANOTHER LENDER;
 - (2) NOT REQUIRE THAT YOU ASSIGN WAGES AS SECURITY;
 - (3) NOT REQUIRE THAT YOU EXECUTE INSTRUMENTS WHICH HAVE BLANKS FOR SUBSTANTIVE TERMS OF AGREEMENT LEFT TO BE FILLED IN;
 - (4) NOT REQUIRE THAT YOU SIGN A CONFESSION OF JUDGMENT OR

- POWER OF ATTORNEY TO ANOTHER PERSON TO CONFESS JUDGMENT OR APPEAR IN A LEGAL PROCEEDING ON YOUR BEHALF;
- (5) PROVIDE THAT YOU RECEIVE A COPY OF YOUR FINAL LOAN APPLICATION AND ALL EXECUTED DOCUMENTS YOU SIGN AT CLOSING;
- (6) PROVIDE THAT THE SECURITY INSTRUMENTS CONTAIN A DISCLOSURE THAT THIS LOAN IS A LOAN DEFINED BY SECTION 50 (a) (6), ARTICLE XVI, OF THE TEXAS CONSTITUTION;
- (7) PROVIDE THAT WHEN THE LOAN IS PAID IN FULL, THE LENDER WILL SIGN AND GIVE YOU A RELEASE OF LIEN OR AN ASSIGNMENT OF THE LIEN, WHICHEVER IS APPROPRIATE;
- (8) PROVIDE THAT YOU MAY, WITHIN 3 DAYS AFTER CLOSING, RESCIND THE LOAN WITHOUT PENALTY OR CHARGE;
- (9) PROVIDE THAT YOU AND THE LENDER ACKNOWLEDGE THE FAIR MARKET VALUE OF YOUR HOME ON THE DATE THE LOAN CLOSES; AND
- (10) PROVIDE THAT THE LENDER WILL FORFEIT ALL PRINCIPAL AND INTEREST IF THE LENDER FAILS TO COMPLY WITH THE LENDER'S OBLIGATIONS UNLESS THE LENDER CURES THE FAILURE TO COMPLY AS PROVIDED BY SECTION 50 (a) (6), ARTICLE XVI, OF THE TEXAS CONSTITUTION; AND
- (R) IF THE LOAN IS A HOME EQUITY LINE OF CREDIT;
 - (1) YOU MAY REQUEST ADVANCES, REPAY MONEY, AND REBORROW MONEY UNDER THE LINE OF CREDIT;
 - (2) EACH ADVANCE UNDER THE LINE OF CREDIT MUST BE IN AN AMOUNT OF AT LEAST \$4,000.00;
 - (3) YOU MAY NOT USE A CREDIT CARD, DEBIT CARD, OR SIMILAR DEVICE, OR PREPRINTED CHECK THAT YOU DID NOT SOLICIT, TO OBTAIN ADVANCES UNDER THE LINE OF CREDIT;
 - (4) ANY FEES THE LENDER CHARGES MAY BE CHARGED AND COLLECTED ONLY AT THE TIME THE LINE OF CREDIT IS ESTABLISHED AND THE LENDER MAY NOT CHARGE A FEE IN CONNECTION WITH ANY ADVANCE;
 - (5) THE MAXIMUM PRINCIPAL AMOUNT THAT MAY BE EXTENDED, WHEN ADDED TO ALL OTHER DEBTS SECURED BY YOUR HOME, MAY NOT EXCEED 80 PERCENT OF THE FAIR MARKET VALUE OF YOUR HOME ON THE DATE THE LINE OF CREDIT IS ESTABLISHED;
 - (6) IF THE PRINCIPAL BALANCE UNDER THE LINE OF CREDIT AT ANY TIME EXCEEDS 50 PERCENT OF THE FAIR MARKET VALUE OF YOUR HOME, AS DETERMINED ON THE DATE THE LINE OF CREDIT IS ESTABLISHED, YOU MAY NOT CONTINUE TO REQUEST ADVANCES UNDER THE LINE OF CREDIT UNTIL THE BALANCE IS LESS THAN 50 PERCENT OF THE FAIR MARKET VALUE; AND
 - (7) THE LENDER MAY NOT UNILATERALLY AMEND THE TERMS OF THE LINE OF CREDIT.

THIS NOTICE IS ONLY A SUMMARY OF YOUR RIGHTS UNDER THE TEXAS CONSTITUTION. YOUR RIGHTS ARE GOVERNED BY SECTION 50 (a) (6), ARTICLE XVI, OF THE TEXAS CONSTITUTION, AND NOT BY THIS NOTICE.

I/we acknowledge having received a copy of the above notice on:

_____ Date

_____ Borrower/Owner

_____ Borrower/Owner

_____ Borrower/Owner

CREDIT UNION COPY
SIGN AND RETURN WITH YOUR APPLICATION

DISCLOSURE

NOTICE CONCERNING EXTENSIONS OF CREDIT
MEMBER COPY – Keep For Your Records



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 - (5) THE MAXIMUM PRINCIPAL AMOUNT THAT MAY BE EXTENDED, WHEN ADDED TO ALL OTHER DEBTS SECURED BY YOUR HOME, MAY NOT EXCEED 80 PERCENT OF THE FAIR MARKET VALUE OF YOUR HOME ON THE DATE THE LINE OF CREDIT IS ESTABLISHED;
 - (6) IF THE PRINCIPAL BALANCE UNDER THE LINE OF CREDIT AT ANY TIME EXCEEDS 50 PERCENT OF THE FAIR MARKET VALUE OF YOUR HOME, AS DETERMINED ON THE DATE THE LINE OF CREDIT IS ESTABLISHED, YOU MAY NOT CONTINUE TO REQUEST ADVANCES UNDER THE LINE OF CREDIT UNTIL THE BALANCE IS LESS THAN 50 PERCENT OF THE FAIR MARKET VALUE; AND
 - (7) THE LENDER MAY NOT UNILATERALLY AMEND THE TERMS OF THE LINE OF CREDIT.

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I/we acknowledge having received a copy of the above notice on:

_____ Date

_____ Borrower/Owner

_____ Borrower/Owner

_____ Borrower/Owner

MEMBER COPY
KEEP THIS FORM FOR YOUR RECORDS

DISCLOSURE

EARLY DISCLOSURE STATEMENT

Important Terms of Our Home Equity Lines of Credit Account



This disclosure contains important information about our Texas Home Equity Line of Credit Account. You should read it carefully and keep a copy for your records. In this Disclosure, "you" and "your" refer to each person applying for a Texas Home Equity Line of Credit and anyone else authorized to use it. "We", "our" and "us" refer to Credit Union of Texas.

1. Availability of Terms. All of the terms described below are subject to change. If any of these terms change (other than the annual percentage rate due to fluctuations in the index) and you decide, as a result, to not 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.

2. 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.

3. Possible Actions. We may take the following actions with respect to your line of credit under the circumstances listed below:

a. Termination and Acceleration. We can terminate your line of credit and require you to pay us the entire outstanding balance on your line of credit in one payment, and charge you certain fees if:

i. You engage in any fraud or material misrepresentation or omission at any time in connection with the line of credit;

ii. You do not meet the repayment terms of the line of credit; or

iii. Your action or inaction adversely affects the collateral (your home) for your line of credit or our rights in the collateral. This includes, to the extent allowable by applicable law, your failure to insure the collateral or pay taxes on the collateral as they become due, the sale or other transfer of the collateral, the creation of a senior lien encumbering the collateral, or the foreclosure or threatened foreclosure of another lien on the collateral.

b. Suspension of Credit or Reduction of Credit Limit. We may refuse to make additional advances or reduce your credit limit if:

i. Any of the circumstances set forth in subparagraph (a) above occur;

ii. The value of your dwelling securing your line of credit declines significantly below its appraised value for purposes of the line;

iii. We reasonably believe that you will not be able to meet the repayment obligations of your line of credit Agreement due to a material change in your financial circumstances;

iv. You are in default of a material obligation of your line of credit Agreement or the line of credit Security Document. All of your obligations under your line of credit Agreement and the line of credit Security Document are material for purposes of this provision;

v. Government action prevents us from imposing the annual percentage rate provided for, or impairs the priority of our security interest such that the value of the interest is less than 120 percent of the credit limit;

vi. A regulatory agency has notified us that continued advances would constitute an unsafe and unsound practice; or

vii. The maximum annual percentage rate is reached.

c. Change in Terms. The line of credit Agreement permits us to make certain changes to the terms of your line of credit at specified times or upon the occurrence of specified events.

4. Draw Period and Repayment Period. The draw period (the "Draw Period") is the time period in which advances can be obtained on your line of credit. The repayment period (the "Repayment Period") is the time period between the Draw Period and when your line of credit ends. The Draw Period for your line of credit is ten years. The length of the Repayment Period will depend on the balance at the end of the Draw Period, but in no event will it ever be longer than ten years.

5. Payment Terms. The Draw Period for your line of credit is ten years and you may obtain credit advances for ten years. After the Draw Period ends, and if the Draw Period is not renewed or extended by us, you will no longer be able to obtain credit advances and must repay the outstanding balance within the Repayment Period. Minimum monthly payments will be due during the Draw Period and during the Repayment Period as described below. Your payment amount will be rounded up to the next highest dollar.

6. Minimum Payment Requirements. During the Draw Period and the Repayment Period, payments will be due monthly whenever a balance exists on your statement date. The minimum payment requirements are as follows:

A minimum monthly payment equal to the greater of (a) \$15 per \$1,000 of outstanding balance determined after each advance (this level of payment to remain constant until the next advance, if any), or (b) \$50, together with all past due amounts, amounts in excess of your credit limit, late charges, insurance premiums and other fees imposed to the extent allowable by applicable law. Paying the minimum monthly payment may not reduce the principal balance that is outstanding on your line of credit.

7. Minimum Payment Example. If you took a single \$10,000.00 advance at the beginning of the Draw Period at an **ANNUAL PERCENTAGE RATE** of 4.25% (the most recent index plus margin shown in the Historical Table), it would take 79 months to pay off your account. During that period you would make 76 monthly payments of \$150 each followed by 1 payment of \$27.05, all during the Draw Period.

8. Fees and Charges. In order to open and maintain a line of credit, you must pay certain fees and charges as follows:

a. **Credit Union Fees.** None.

b. **Third Party Fees.** None.

9. Transaction Requirements. We require an initial draw (advance) at the time you establish your line of credit account. There is a minimum draw requirement of \$4,000.00 for each advance.

10. Tax Deductibility. You should consult a tax advisor regarding the deductibility of interest and charges under the line of credit.

11. Property Insurance. We will require that you carry insurance coverage on the property that secures your line of credit.

12. Variable Rate Feature. The line of credit has a variable rate feature, and the annual percentage rate (corresponding to the periodic rate) and the minimum payment can change as a result. The annual percentage rate does not include costs other than interest. The annual percentage rate is based on the value of an index. The index is the Prime Rate as published in the Money Rates Section of the *Wall Street Journal*. We will use the most recent index value available to us as of 20 days before the date of any annual percentage rate adjustment. To determine the annual percentage rate that will apply to your line of credit, we take the index and add the margin, if any, to the value of the index. Ask us for the current index value, margin, discount or premium, and annual percentage rate. After you open a credit line, rate information will be provided on periodic statements that we will send you.

13. Rate Changes. The annual percentage rate is subject to change quarterly. Any change will be effective on the first day of January, April, July and October. An increase in the index will result in an increase in the periodic rate which, in turn, may result in higher payments. A decrease in the index will have the opposite effect. In any event, the daily periodic rate will never be greater than a daily periodic rate with a corresponding **ANNUAL PERCENTAGE RATE** of 18%; and the daily periodic rate will never be less than a daily periodic rate with a corresponding **ANNUAL PERCENTAGE RATE** of 3.99%. Apart from this rate "ceiling" and this rate "floor", there is no limit on the amount by which the rate can change during any one-year period.

14. Maximum Rate and Payment Examples.

If you had an outstanding balance of \$10,000.00 at the beginning of the Draw Period, the minimum monthly payment at the maximum **ANNUAL PERCENTAGE RATE** of 18% would be \$150. This maximum annual percentage rate could be reached during the first month of the Draw Period. If you had an outstanding balance of \$10,000.00 at the beginning of the Repayment Period, the minimum monthly payment at the maximum **ANNUAL PERCENTAGE RATE** of 18% would be \$181. This maximum annual percentage rate could be reached during the first month of the Repayment Period.

15. Historical Example. The following table shows how the annual percentage rate and the minimum monthly 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 from the last business day of July each year. While only one payment amount per year is shown, payments would have varied during each year. The table assumes that no additional credit advances were taken, that only the minimum payments were made each month, 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.

Year	Index %	Margin %	Annual Percentage Rate	Minimum Monthly Payment
Draw Period				
2000	9.50	1.00	10.50	\$150.00
2001	6.75	1.00	7.75	150.00
2002	4.75	1.00	5.75	150.00
2003	4.00	1.00	5.00	150.00
2004	4.25	1.00	5.25	150.00
2005	6.25	1.00	7.25	150.00
2006	8.25	1.00	9.25	150.00
2007	8.25	1.00	9.25	150.00
2008	5.00	1.00	6.00	150.00
2009	3.25	1.00	4.25	150.00
Repayment Period				
2010	3.25	1.00	4.25	150.00
2011	3.25	1.00	4.25	150.00
2012	3.25	1.00	4.25	150.00
2013	3.25	1.00	4.25	150.00
2014	3.25	1.00	4.25*	150.00

* This is a margin we have used recently.

DISCLOSURE

The Federal Reserve Board WHAT YOU SHOULD KNOW ABOUT HOME EQUITY LINES OF CREDIT



More and more lenders are offering home equity lines of credit. By using the equity in your home, you may qualify for a sizable amount of credit, available for use when and how you please, at an interest rate that is relatively low. Furthermore, under the tax law—depending on your specific situation—you may be allowed to deduct the interest because the debt is secured by your home. If you are in the market for credit, a home equity plan may be right for you. Or perhaps another form of credit would be better. Before making a decision, 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 risk. And remember, failure to repay the amounts you've borrowed, plus interest, could mean the loss of your home.

What is a home equity line of credit?

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

With a home equity line, you will be approved for a specific amount of credit—your credit limit, the maximum amount you may borrow at any one time under the plan. 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	× 75%
Percentage of appraised value	= \$ 75,000
Less balance owed on mortgage	- \$ 40,000
Potential credit	\$ 35,000

In determining your actual credit limit, the lender will also consider your ability to repay, 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 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) and to keep a minimum amount outstanding. Some plans may also require that you take an initial advance when the line is set up.

WHAT SHOULD YOU LOOK FOR WHEN SHOPPING FOR A PLAN?

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

Interest rate charges and related plan features

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); the interest rate for borrowing under the home equity line changes, mirroring fluctuations 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 as well as the amount of the margin.

Lenders sometimes offer a temporarily discounted interest rate for home equity lines—a rate that is unusually low and may last for only an introductory period, such as 6 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 interest rates drop.

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

Plans generally permit the lender to freeze or reduce your credit line under certain circumstances. For example, some variable-rate plans may not allow you to draw additional funds during a period in which the interest rate reaches the cap.

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 buy a home. 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)
- Closing costs, including fees for attorneys, title search, and 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. 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.

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 minimum payments that cover a portion of the principal (the amount you borrow) plus accrued interest. But (unlike with the typical installment loan) the portion that goes toward principal may not be enough to repay the principal by the end of the term. Other plans may allow payment of interest alone 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 plan ends.

Regardless of the minimum required payment, you may choose to pay more, and many lenders offer a choice of payment options. 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.

DISCLOSURE

The Federal Reserve Board
WHAT YOU SHOULD KNOW ABOUT HOME EQUITY LINES OF CREDIT

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

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

LINES OF CREDIT VS. TRADITIONAL SECOND MORTGAGE LOANS

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

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

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

Disclosures from Lenders

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

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 3 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 3-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.

GLOSSARY

Annual membership or maintenance fee - An annual charge for having the line of credit available. Charged regardless of whether or not the line is used.

Annual percentage rate (APR) - The cost of credit on a yearly basis expressed as a percentage.

Application fee - Fees that are paid upon application. May include charges for property appraisal and a credit report.

Balloon payment - A lump-sum payment that may be required when the plan ends.

Cap - A limit on how much the variable interest rate may increase during the life of the plan.

Closing costs - Fees paid at closing, including attorney's fees, fees for preparing and filing a mortgage, fees for title search, taxes, and insurance.

Credit limit - The maximum amount that may be borrowed under the home equity plan.

Equity - The difference between the fair market value (appraised value) of the home and the outstanding mortgage balance.

Index - Published rate that serves as a base for the interest rate charged on a home equity line and also as the base for rate changes used by the lender.



Interest rate - The periodic charge, expressed as a percentage, for use of credit.

Margin - The number of percentage points the lender adds to the index rate to determine the annual percentage rate.

Minimum payment - The minimum amount that you must pay (usually monthly) on your account. Under some plans, the minimum payment may cover interest only; under others, it may include both principal and interest.

Points - One point is equal to 1 percent of the amount of the credit line. Points must usually be paid at closing and are in addition to monthly interest.

Security interest - An interest that a lender takes in the borrower's property to ensure repayment of a debt.

Transaction fee - A fee charged each time you draw on your credit line.

Variable rate - An interest rate that changes periodically in relation to an index. Payments may increase or decrease accordingly.

WHERE TO GO FOR HELP

The following federal agencies are responsible for enforcing the federal Truth in Lending Act, the law that governs disclosure of terms for home equity lines of credit.

Questions concerning compliance with the act by a particular financial institution should be directed to the institution's enforcement agency.

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

National Banks

Office of the Comptroller of the Currency
Customer Assistance Unit
1301 McKinney St., Suite 3710
Houston, TX 77010
(800) 613-6743
www.occ.treas.gov

Federal Credit Unions

National Credit Union Administration
Office of Public and Congressional Affairs
1775 Duke St.
Alexandria, VA 22314
(703) 518-6330
www.ncua.gov

Federally Insured Non-Member State-Chartered 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

Federally Insured Savings and Loan Institutions and Federally Chartered

Savings Banks
Office of Thrift Supervision
Consumer Programs
1700 G Street, NW, 6th Floor
Washington, DC 20552
(202) 906-6237 or (800) 842-6929
www.ots.treas.gov

Mortgage Companies and Other Lenders

Federal Trade Commission
Consumer Response Center
600 Pennsylvania Avenue, NW
Washington, DC 20580
(202) 326-3758 or (877) FTC-HELP
www.ftc.gov

DISCLOSURE

The Federal Reserve Board
WHAT YOU SHOULD KNOW ABOUT HOME EQUITY LINES OF CREDIT



HOME EQUITY PLAN CHECKLIST

Ask your lender to help fill out this checklist.

BASIC FEATURES

PLAN A

PLAN B

Fixed annual percentage rate

%

%

Variable annual percentage rate

%

%

• Index used and current value

%

%

• Amount of margin

• Frequency of rate adjustment

• Amount/length of discount (if any)

• Interest rate cap and floor

Length of Plan

Draw period

Repayment period

Initial fees

Appraisal fee

Application fee

Up-front charges, including points

Closing costs

REPAYMENT TERMS

PLAN A

PLAN B

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?



The Federal Reserve Board

What you should know about
**Home Equity Lines
of Credit**



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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.

Home Equity Plan Checklist

Ask your lender to help fill out this checklist.

Basic Features	Plan A	Plan B
Fixed annual percentage rate	%	%
Variable annual percentage rate	%	%
<ul style="list-style-type: none"> ■ Index used and current value 	%	%
<ul style="list-style-type: none"> ■ Amount of margin 		
<ul style="list-style-type: none"> ■ Frequency of rate adjustments 		
<ul style="list-style-type: none"> ■ Amount/length of discount (if any) 		
<ul style="list-style-type: none"> ■ Interest-rate cap and floor 		
Length of plan		
Draw period		
Repayment period		
Initial fees		
Appraisal fee		
Application fee		
Up-front charges, including points		
Closing costs		
Repayment Terms		
During the draw period		
Interest and principal payments		
Interest-only payments		
Fully amortizing payments		
When the draw period ends		
Balloon payment?		
Renewal available?		
Refinancing of balance by lender?		

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%) 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
<hr/> Potential line of credit	<hr/> \$ 35,000

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

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

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

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

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

What should you look for when shopping for a plan?

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

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 6 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.

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.

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 *interest only* 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. 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.

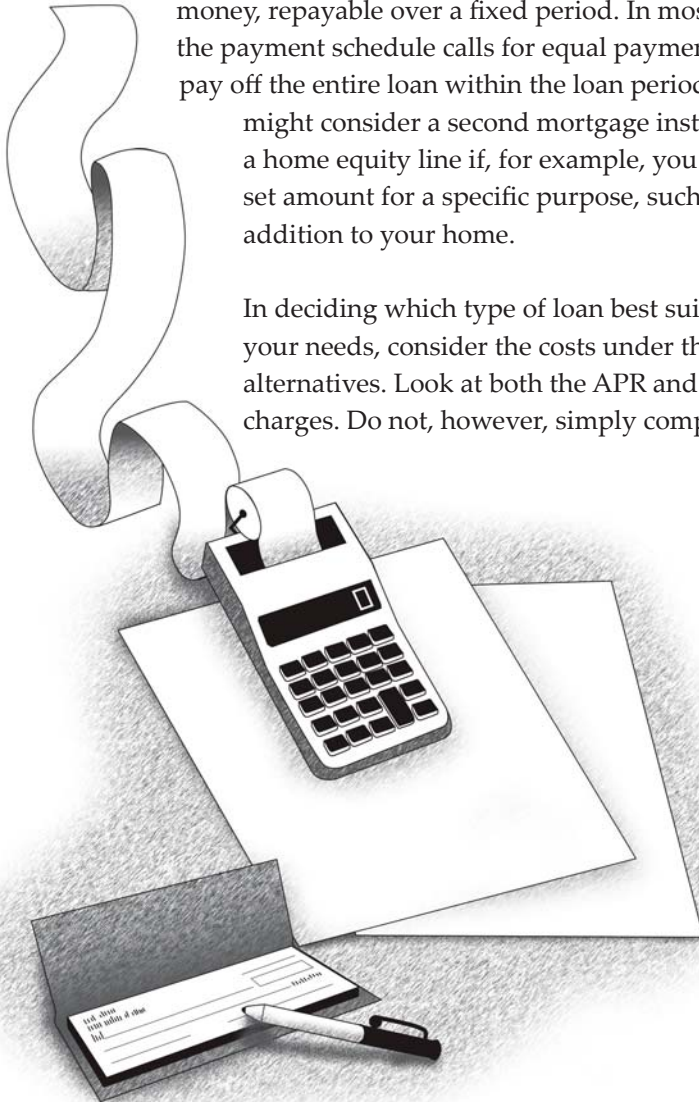
If your plan has a variable interest rate, your monthly payments may change. Assume, for example, that you borrow \$10,000 under a plan that calls for interest-only payments. At a 10% interest rate, your monthly payments would be \$83. If the rate rises over time to 15%, your monthly payments will increase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

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

Lines of credit vs. traditional second mortgage loans

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

In deciding which type of loan best suits your needs, consider the costs under the two alternatives. Look at both the APR and other charges. Do not, however, simply compare



the APRs, because the APRs on the two types of loans are figured differently:

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

Disclosures from lenders

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

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 3 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 3-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.

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 Federal Trade Commission’s website, at www.ftc.gov/freereports, for information about free copies) 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. 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.

Glossary

Annual membership or maintenance fee

An annual charge for access to a financial product such as a line of credit, credit card, or account. The fee is charged regardless of whether or not the product is used.

Annual percentage rate (APR)

The cost of credit, expressed as a yearly rate. For closed-end credit, such as car loans or mortgages, the APR includes the interest rate, points, broker fees, and other credit charges that the borrower is required to pay. An APR, or an equivalent rate, is not used in leasing agreements.

Application fee

Fees charged when you apply for a loan or other credit. These fees may include charges for property appraisal and a credit report.

Balloon payment

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

Cap (interest rate)

A limit on the amount that your interest rate can increase. Two types of interest-rate caps exist. *Periodic adjustment caps* limit the interest-rate increase from one adjustment period to the next. *Lifetime caps* limit the interest-rate increase over the life of the loan. By law, all adjustable-rate mortgages have an overall cap.

Closing or settlement costs

Fees paid when you close (or settle) on a loan. These fees may include application fees; title examination, abstract of title, title

insurance, and property survey fees; fees for preparing deeds, mortgages, and settlement documents; attorneys' fees; recording fees; estimated costs of taxes and insurance; and notary, appraisal, and credit report fees. Under the Real Estate Settlement Procedures Act, the borrower receives a good faith estimate of closing costs within three days of application. The good faith estimate lists each expected cost as an amount or a range.

Credit limit

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

Equity

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

Index

The economic indicator used to calculate interest-rate adjustments for adjustable-rate mortgages or other adjustable-rate loans. The index rate can increase or decrease at any time. *See also* Selected Index Rates for ARMs over an 11-year Period (www.federalreserve.gov/pubs/arms/arms_english.htm) for examples of common indexes that have changed in the past.

Interest rate

The percentage rate used to determine the cost of borrowing money, stated usually as a percentage of the principal loan amount and as an annual rate.

Margin

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

Minimum payment

The lowest amount that you must pay (usually monthly) to keep your account in good standing. Under some plans, the minimum payment may cover interest only; under others, it may include both principal and interest.

Points (also called discount points)

One point is equal to 1 percent of the principal amount of a mortgage loan. For example, if a mortgage is \$200,000, one point equals \$2,000. Lenders frequently charge points in both fixed-rate and adjustable-rate mortgages to cover loan origination costs or to provide additional compensation to the lender or broker. These points usually are paid at closing and may be paid by the borrower or the home seller, or may be split between them. In some cases, the money needed to pay points can be borrowed (incorporated in the loan amount), but doing so will increase the loan amount and the total costs. Discount points (also called discount fees) are points that you voluntarily choose to pay in return for a lower interest rate.

Security interest

If stated in your credit agreement, a creditor's, lessor's, 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.

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.

Variable rate

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

Where to go for help

For additional information or to file a complaint about a bank, savings and loan, credit union, or other financial institution, contact one of the following federal agencies, depending on the type of institution.

Regulatory Agency	Regulated Entity(ies)	Telephone/Website
Federal Reserve Consumer Help P.O. Box 1200 Minneapolis, MN 55480	Federally insured state-chartered bank members of the Federal Reserve System	(888) 851-1920 www.federalreserveconsumerhelp.gov
Consumer Financial Protection Bureau (CFPB) P.O. Box 4503 Iowa City, IA 52244	Insured depository institutions and credit unions (and their affiliates) with assets greater than \$10 billion, and nondepository institutions such as mortgage originators, mortgage brokers and servicers, larger participants of other financial services products, private education loan providers, and payday lenders	(855) 411-2372 www.consumerfinance.gov
Office of the Comptroller of the Currency (OCC) Customer Assistance Unit 1301 McKinney Street Suite 3450 Houston, TX 77010	National banks and federally chartered savings banks/associations	(800) 613-6743 www.occ.treas.gov www.helpwithmybank.gov
Federal Deposit Insurance Corporation (FDIC) Consumer Response Center 1100 Walnut Street, Box #11 Kansas City, MO 64106	Federally insured state-chartered banks that are not members of the Federal Reserve System	(877) ASK-FDIC or (877) 275-3342 www.fdic.gov www.fdic.gov/consumers

Regulatory Agency	Regulated Entity(ies)	Telephone/Website
Federal Housing Finance Agency (FHFA) Consumer Communications Constitution Center 400 7th Street, S.W. Washington, DC 20024	Fannie Mae, Freddie Mac, and the Federal Home Loan Banks	(202) 649-3811 www.fhfa.gov www.fhfa.gov/Default.aspx?Page=369
National Credit Union Administration (NCUA) Consumer Assistance 1775 Duke Street Alexandria, VA 22314-3428	Federally chartered credit unions	(800) 755-1030 www.ncua.gov www.mycreditunion.gov
Federal Trade Commission (FTC) Consumer Response Center 600 Pennsylvania Avenue, N.W. Washington, DC 20580	Finance companies, retail stores, auto dealers, mortgage companies and other lenders, and credit bureaus	(877) FTC-HELP or (877) 382-4357 www.ftc.gov www.ftc.gov/bcp
Securities and Exchange Commission (SEC) Complaint Center 100 F Street, N.E. Washington, DC 20549-0213	Brokerage firms, mutual fund companies, and investment advisers	(202) 551-6551 www.sec.gov www.sec.gov/complaint/question.shtml
Farm Credit Administration Office of Congressional and Public Affairs 1501 Farm Credit Drive McLean, VA 22102-5090	Agricultural lenders	(703) 883-4056 www.fca.gov
Small Business Administration (SBA) Consumer Affairs 409 3rd Street, S.W. Washington, DC 20416	Small business lenders	(800) U-ASK-SBA or (800) 827-5722 www.sba.gov

Regulatory Agency	Regulated Entity(ies)	Telephone/Website
Commodity Futures Trading Commission (CFTC) 1155 21st Street, N.W. Washington, DC 20581	Commodity brokers, commodity trading advisers, commodity pools, and introducing brokers	(866) 366-2382 www.cftc.gov/Consumer-Protection
U.S. Department of Justice (DOJ) Criminal Division 950 Pennsylvania Avenue, N.W. Washington, DC 20530	Fair lending and fair housing issues	(202) 514-3301 www.justice.gov/criminal
Department of Housing and Urban Development (HUD) Office of Fair Housing/Equal Opportunity 451 7th Street, S.W. Washington, DC 20410	Fair lending and fair housing issues	(800) 669-9777 www.hud.gov/complaints

More resources

For more resources on mortgages and other financial topics, visit www.federalreserve.gov/consumerinfo.