

Submitting Branch No.	Submitting Assoc. NT ID	Submitting Assoc. Name	MLO #:
Closing Branch No.	Referring Assoc. NT ID	Rate Quoted	Promo Code

Home Equity Line of Credit Application
 Our bank complies with Section 326 of the USA PATRIOT ACT. This law mandates that we verify certain information about you while processing your account application.

AMOUNT REQUESTED \$

PURPOSE OF LOAN

SUBJECT PROPERTY	PROPERTY STREET ADDRESS	CITY	COUNTY	STATE	ZIP	NO. OF UNITS	YEAR BUILT
	LEGAL DESCRIPTION (Attach description if necessary)						
	Title Will Be Held in What Name(s)			Manner in Which Title Will Be Held			
	CURRENT MARKET VALUE \$	YEAR ACQUIRED	ORIGINAL COST \$	AMOUNT OF EXISTING LIENS \$			

INDIVIDUAL APPLICANT. Check if you are applying for individual credit in your own name and are relying on your own income or assets and not the income or assets of another person as the basis for repayment of the credit requested, complete **Applicant** section.

INDIVIDUAL APPLICANT.. Check if you are relying on income from alimony, child support, or separate maintenance or the income or assets of another person as the basis for repayment, OR if you are married and reside in, or the property is located in, a community property state. Complete **Applicant** section and **Co-Applicant** section to the extent possible.

APPLICANT			
Name		Date of Birth	
Present Address: Number of Years:	<input type="checkbox"/> Own <input type="checkbox"/> Rent	School:	Yrs.
Street:			
City, State & Zip:			
Former Address (if less than 2 years at present address):			
Street:			
City, State & Zip:			
Years at Former Address:	<input type="checkbox"/> Own <input type="checkbox"/> Rent		
Marital Status	Dependents Other Than Listed by Co-Applicant		
<input type="checkbox"/> Married <input type="checkbox"/> Separated	Number	Ages	
<input type="checkbox"/> Unmarried (Includes Single, Divorced, and Widowed)			
Name of Employer			
Position / Title	Yrs in This Position	<input type="checkbox"/> Self-Employed	
Yrs in Occupation	Business Phone & Ext. ()	Email Address	
Social Security Number	Home Phone ()	Cell Phone ()	

CO-APPLICANT			
Name		Date of Birth	
Present Address: Number of Years:	<input type="checkbox"/> Own <input type="checkbox"/> Rent	School:	Yrs.
Street:			
City, State & Zip:			
Former Address (if less than 2 years at present address):			
Street:			
City, State & Zip:			
Years at Former Address:	<input type="checkbox"/> Own <input type="checkbox"/> Rent		
Marital Status	Dependents Other Than Listed by Co-Applicant		
<input type="checkbox"/> Married <input type="checkbox"/> Separated	Number	Ages	
<input type="checkbox"/> Unmarried (Includes Single, Divorced, and Widowed)			
Name of Employer			
Position / Title	Yrs in This Position	<input type="checkbox"/> Self-Employed	
Yrs in Occupation	Business Phone & Ext. ()	Email Address	
Social Security Number	Home Phone ()	Cell Phone ()	

GROSS MONTHLY INCOME			
ITEM	Applicant	Co-Applicant	Total
Base Empl. Income	\$	\$	\$
Overtime			
Bonuses			
Commissions			
Dividends / Interest			
Net Rental Income			
Other † (Before completing, see Notice Under "Describe Other Income" at right.)			
TOTAL	\$	\$	\$

DESCRIBE OTHER INCOME		MONTHLY HOUSING EXPENSE**
		present
NOTICE† Alimony, child support, or separate maintenance income need not be revealed if the Applicant or Co-Applicant does not choose to have it considered as a basis for repaying this loan.		Rent
↓ A = APPLICANT C = CO-APPLICANT		First Mortgage (P & I)
Monthly Amount		Other Financing (P & I)
	\$	Hazard Insurance
		Real Estate Taxes
		Mortgage Insurance
		Homeowner Assn. Dues
		Other
		Total Monthly Payment
		Utilities
		TOTAL

IF EMPLOYED IN CURRENT POSITION FOR LESS THAN TWO YEARS, COMPLETE THE FOLLOWING						
A/C	Previous Employer/School	City/State	Type of Business	Position/Title	Dates From/To	Monthly Income
						\$

THESE QUESTIONS APPLY TO BOTH APPLICANT AND CO-APPLICANT

If a "yes" answer is given to a question in this column, please explain on an attached sheet. Have you any outstanding judgments? _____ Have you been declared bankrupt within the past 7 years? _____ Have you had property foreclosed upon or given title or deed in lieu thereof in the last 7 years? _____ Are you a party in a lawsuit? _____ Are you obligated to pay alimony, child support, or separate maintenance? _____ Are you a co-maker or endorser on a note? _____	Applicant Yes or No Co-Applicant Yes or No	Applicant Yes or No Co-Applicant Yes or No
	Are you a U.S. Citizen? _____ If "no," are you a resident alien? _____ If "no," are you a non-resident alien? _____ Explain other mortgages or other equity loans (if any) _____ _____ _____	

FHLMC FNMA requires business credit report, signed Federal Income Tax returns for last two years and, if available, audited Profit and Loss Statement plus balance sheet for same period.
 * All Present Monthly Housing Expenses of Applicant and Co-Applicant should be listed on a combined basis.

This Statement and any applicable supporting schedules may be completed jointly by both married and unmarried co-Applicants if their assets and liabilities are sufficiently joined so that the Statement can be meaningfully and fairly presented on a combined basis, otherwise separate Statements and Schedules are required. If the co-Applicant section was completed about a spouse, this statement and supporting schedules must be completed about that spouse also.

ASSETS

LIABILITIES AND PLEDGED ASSETS

Indicated by (*) those liabilities or pledged assets which will be satisfied upon sale of real estate owned or upon refinancing of subject property

Description		Cash or Market Value	Creditor's Name and Account Number	Acct. Name if Not Applicant's	Mo. Pmt. and Mos. Left to Pay	Unpaid Balance
Checking and Savings Accounts (Show Names of Institutions/Account Numbers Bank, S & L or Credit Union)			Installment Debts (Include "revolving" charge accounts)		\$ Pmt./Mos.	\$
			Acct. No.			
			Acct. No.			
			Acct. No.			
			Acct. No.			
Stocks and Bonds (No. Description)						
			Acct. No.			
			Acct. No.			
Life Insurance Net Cash Value Face Amount: \$		\$	Real Estate Loans	Acct. No.		
Subtotal Liquid Assets						
Real Estate Owned (Enter Market Value from Schedule of Real Estate Owned)						
Vested Interest in Retirement Fund						
Net Worth of Business Owned (Attach Financial Statement)			Automotive Loans	Acct. No.		\$
Automobiles (Make and Year)						
			Acct. No.			
Furniture and Personal Property			Alimony Child Support Separate Maintenance Payments Owed To			
Other Assets (Itemize)						
			Total Monthly Payments		\$	
TOTAL ASSETS		A \$	Net Worth (A minus B) \$			B \$

SCHEDULE OF REAL ESTATE OWNED (If Additional Properties Owned Attach Separate Schedule)								
Address of Property (Indicate S if Sold, PS if Pending Sale or R if Rental Being Held for Income)	Type of Property	Present Market Value	Amount of Mortgages & Liens	Gross Rental Income	Mortgage Payments	Taxes, Inc., Maintenance and Misc.	Net Rental Income	
		\$	\$	\$	\$	\$	\$	
TOTALS ⇔		\$	\$	\$	\$	\$	\$	

LIST PREVIOUS CREDIT REFERENCES

↓ A = Applicant C = Co-Applicant	Creditor's Name and Address	Account Number	Purpose	Highest Balance	Date Paid
				\$	
				\$	
				\$	

List any additional names under which credit has been previously received. _____

- CREDIT LIFE AND ACCIDENT AND HEALTH INSURANCE ARE NOT DEPOSITS OR OTHER OBLIGATIONS OF, OR GUARANTEED BY, UMB BANK OR ANY AFFILIATE OF UMB FINANCIAL CORPORATION.
- CREDIT LIFE AND ACCIDENT AND HEALTH INSURANCE ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION (FDIC) OR ANY OTHER AGENCY OF THE UNITED STATES, ANY STATE AGENCY, UMB BANK OR ANY AFFILIATE OF UMB FINANCIAL CORPORATION.
- INSURANCE PRODUCTS MAY BE PURCHASED FROM AN AGENT OR BROKER OF THE APPLICANT'S CHOICE. UMB BANK MAY NOT CONDITION AN EXTENSION OF CREDIT ON EITHER:
 - APPLICANT'S PURCHASE OF AN INSURANCE PRODUCT FROM UMB BANK OR ANY OF ITS AFFILIATES; OR
 - APPLICANT'S AGREEMENT NOT TO OBTAIN, OR A PROHIBITION ON APPLICANT FROM OBTAINING, AN INSURANCE PRODUCT FROM AN UNAFFILIATED ENTITY.

Applicant } If I am eligible, I would like to receive a Visa® Platinum card
 Co-Applicant } for the sole purpose of accessing my home equity line of credit.

Everything that I have stated in this application is correct to the best of my knowledge. I understand that you will retain this application whether approved or not. You are authorized to check my credit and employment history and to answer questions about my credit history with others. I hereby acknowledge that I have received the Important Insurance Disclosures both verbally and in writing.

When you furnish applicant and co-applicant information and each such person signs below, you indicate your intent to apply for joint credit.

Applicant Signature (Date)

Co-Applicant Signature (Date)

UMB Bank, n.a.
1010 Grand Blvd
Kansas City, MO 64106

Important Terms of Our Equity Account

This disclosure contains important information about our home-equity line of credit (the “Account”). You should read it carefully and keep a copy for your records.

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

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

POSSIBLE ACTIONS: We can terminate your Account, require you to pay us the entire outstanding balance in one payment, and charge you certain fees if:

- You engage in fraud or material misrepresentation in connection with the Account.
- You do not meet the repayment terms.
- Your action or inaction adversely affects the collateral or our rights in the collateral.

We can refuse to make additional extensions of credit or reduce your credit limit if:

- The value of the dwelling securing the Account declines significantly below its appraised value for purposes of the Account.
- We reasonably believe you will not be able to meet the repayment requirements due to a material change in your financial circumstances.
- You are in default of a material obligation in the agreement.
- Government action prevents us from imposing the annual percentage rate provided for in the agreement or impairs our security interest such that the value of the interest is less than 120 percent (120%) of the credit limit.
- A regulatory agency has notified us that continued advances would constitute an unsafe and unsound practice.
- The maximum annual percentage rate is reached.

The initial agreement permits us to make certain changes to the terms of the agreement at specified times or upon the occurrence of specified events.

MINIMUM DRAW AND BALANCE REQUIREMENTS: There is no minimum credit amount for the initial advance for products A, B, or C nor a minimum amount of each advance thereafter.

NEGATIVE AMORTIZATION: Under some circumstances, your payments will not cover the finance charges that accrue and “negative amortization” will occur. Negative amortization will increase the amount that you owe us and reduce your equity in your home.

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

VARIABLE-RATE INFORMATION FOR THE REVOLVING BALANCE: The plan has a variable-rate feature and the annual percentage rate (corresponding to the periodic rate) and the Minimum Monthly Payment can change as a result.

The annual percentage rate includes only interest and no other costs. The annual percentage rate is based on the value of an index. The index is the highest prime rate published in the *Wall Street Journal* "Money Rates" table as of the last business day of the preceding month. To determine the annual percentage rate that will apply to your Account, we add a margin to the value of the index.

Product A: The initial ANNUAL PERCENTAGE RATE is "discounted" – it is not based on the index and margin used for later rate adjustments. The initial rate will be in effect for the first twelve (12) months your Account is open.

Product B: The initial ANNUAL PERCENTAGE RATE is "discounted" – it is not based on the index and margin used for later rate adjustments. The initial rate will be in effect for the first thirty six (36) months your Account is open.

Product C: The initial ANNUAL PERCENTAGE RATE is "discounted" – it is not based on the index and margin used for later rate adjustments. The initial rate will be in effect for the first sixty (60) months your Account is open.

Ask us for the current index value, margin, and annual percentage rate. After you open an Account, rate information will be provided on the periodic statements that we send you.

RATE CHANGES: The Introductory Rate assumes loan is on primary residence and the customer has, in addition to this Home Equity Line of Credit, any combination of two or more loan or deposit products from UMB. Otherwise, the Introductory Rate will be 0.50% higher. After the Introductory Rate period, the annual percentage rate can change each month for the remaining life of the loan, and there is no limit on the amount by which the rate can change during any one-year period. This can occur due to a change in the index or if we revoke a rate reduction, such as when you maintain a minimum number of additional relationships with us.

Product A: The maximum ANNUAL PERCENTAGE RATE that can apply during the plan is eighteen percent (18%) and the minimum shall not be less than two point four-nine (2.49%).

Product B: The maximum ANNUAL PERCENTAGE RATE that can apply during the plan is eighteen percent (18%) and the minimum shall not be less than two point four-nine (2.49%).

Product C: The maximum ANNUAL PERCENTAGE RATE that can apply during the plan is eighteen percent (18%) and the minimum shall not be less than two point four-nine (2.49%).

PAYMENT TERMS: You can obtain advances of credit for 10 years (the "Draw Period"). During the Draw Period, payments will be due monthly and your Minimum Monthly Payment will vary.

Your Minimum Monthly Payment will be the amount of all accrued and unpaid finance and other charges for the applicable month.

Paying only the Minimum Monthly Payment may not repay the balance that is outstanding on your Account by the end of the Draw Period. After the Draw Period ends, you will no longer be able to obtain credit advances and must immediately pay the entire outstanding balance in one (1) balloon payment.

MINIMUM PAYMENT EXAMPLE:

Product A: If you made only the Minimum Monthly Payments, it would take 10 years to pay off a credit advance of \$10,000. During that period, you would make 12 monthly payments of interest only varying between \$15.27 and \$16.90 at an ANNUAL PERCENTAGE RATE of 1.99%, which is the “discounted” rate ^{*Note}. You would then make 107 monthly payments of interest only, which would vary depending on the annual percentage rate in effect at that time. For comparison, using a recent ANNUAL PERCENTAGE RATE of 6.50% as an example, those 107 monthly payments would range between \$49.86 and \$55.21, with one final balloon payment of \$10,055.21.

Product B: If you made only the Minimum Monthly Payments, it would take 10 years to pay off a credit advance of \$10,000. During that period, you would make 36 monthly payments of interest only varying between \$22.94 and \$25.39 at an ANNUAL PERCENTAGE RATE of 2.99%, which is the “discounted rate.” ^{*Note} You would then make 83 monthly payments of interest only, which would vary depending on the annual percentage rate in effect at that time. For comparison, using a recent ANNUAL PERCENTAGE RATE of 6.50% as an example, those 83 monthly payments would range between \$49.86 and \$55.21, with one final balloon payment of \$10,055.21.

Product C: If you made only the Minimum Monthly Payments, it would take 10 years to pay off a credit advance of \$10,000. During that period, you would make 60 monthly payments of interest only varying between \$30.61 and \$33.89 at an ANNUAL PERCENTAGE RATE of 3.99%, which is the “discounted rate.” ^{*Note} You would then make 59 monthly payments of interest only, which would vary depending on the annual percentage rate in effect at that time. For comparison, using a recent ANNUAL PERCENTAGE RATE of 6.50% as an example, those 59 monthly payments would range between \$49.86 and \$55.21, with one final balloon payment of \$10,055.21.

^{*Note} This “discounted” rate reflects a 0.500% ANNUAL PERCENTAGE RATE reduction for maintaining any combination of two loan (not including this Account), deposit or trust service accounts with us or one of our affiliates. For Accounts that do not receive this “discounted” rate, the ANNUAL PERCENTAGE RATE would be 0.500% higher, and interest only payments would range from \$53.70 to \$59.45. Other factors, such as the loan amount, loan purpose and borrower residency, will affect your “discounted rate”. Ask us for information on how these factors will affect your “discounted rate”.

MAXIMUM RATE AND PAYMENT EXAMPLE:

Product A: If at the beginning of the Draw Period, the ANNUAL PERCENTAGE RATE equaled the 18% maximum and you had an outstanding balance of \$10,000.00, the minimum monthly payment would be \$152.88. This ANNUAL PERCENTAGE RATE could be reached during the thirteenth month of the Draw Period.

Product B: If at the beginning of the Draw Period, the ANNUAL PERCENTAGE RATE equaled the 18% maximum and you had an outstanding balance of \$10,000.00, the minimum monthly payment would be \$152.88. This ANNUAL PERCENTAGE RATE could be reached during the thirty seventh month of the Draw Period.

Product C: If at the beginning of the Draw Period, the ANNUAL PERCENTAGE RATE equaled the 18% maximum and you had an outstanding balance of \$10,000.00, the minimum monthly payment would be \$152.88. This ANNUAL PERCENTAGE RATE could be reached during the sixty first month of the Draw Period.

If you had an outstanding balance of \$10,000.00 when the Draw Period ends, the minimum balloon payment at the maximum ANNUAL PERCENTAGE RATE of 18% would be \$10,152.88.

FEES AND CHARGES: You must carry insurance on the property that secures this plan. In addition, you may be required to pay the following fee to us:

Prepayment Penalty: The lesser of two hundred and fifty dollars (\$250) or one percent (1%) of the principal balance if the entire principal balance is prepaid in full and the security interest in your home is terminated at your request within the first three (3) years after the Account is opened.

HISTORICAL EXAMPLE: The following table shows how the annual percentage rate and the minimum monthly payments for a single \$10,000.00 credit advance would have changed based on changes in the index over the past 15 years. The index values are from January of 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 and that only the Minimum Monthly Payment was made each month. It does not necessarily indicate how the index or your payments will change in the future.

Draw Period	Year	Index (%)	Margin ¹ (%)	ANNUAL	Product A, B, and
				PERCENTAGE	C
				RATE (%)	Monthly Payment
	2000	8.50	1.00	9.50	80.68
	2001	9.00	1.00	10.00	84.93
	2002	4.75	1.00	5.75	48.84
	2003	4.25	1.00	5.25	44.59
	2004	4.00	1.00	5.00	42.47
	2005	5.25	1.00	6.25	53.08
	2006	7.50	1.00	8.50	72.19
	2007	8.25	1.00	9.25	77.08
	2008	6.00	1.00	7.00	59.45
	2009	3.25	1.00	4.25	36.10 ²

	2010	3.25	2.00	5.25	
	2011	3.25	2.00	5.25	
	2012	3.25	2.00	5.25	
	2013	3.25	2.50	5.75	
	2014	3.25	3.25	6.50	

¹ This is a margin we have used recently; your margin may be different.

² At the end of the draw period, a final balloon payment of \$10,036.10 is due.

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Home Equity Line of Credit Checklist

Please forward this checklist and all required supporting documentation via inter-office mail to the attention of the approving officer.

The following documents are required to process the Home Equity Line of Credit Application:

- 1. Application – signed and fully completed (front and back)

Provide the following documents (a and b) to Applicant at the time of application:

- a. Disclosure (attached to application).
 - b. *When Your Home Is On The Line* Brochure, which is ordered as Item No. 010284 on a Bank Materials/Service/Check Requisition form and attaching it to an E-mail to Purchasing/MaterialsManagement@umb.com or faxing the Requisition form to (816) 860-7009.
- 2. Copy of Deed of Trust or Mortgage and Note from the 1st Mortgage dated _____.
 - 3. Income Verification (check all that apply)
 - a. Copy of current pay stub and prior year W-2 for all applicants.
 - b. If income is derived from Social Security or pension and monthly income is direct deposited, a copy of applicant's previous month's bank statement.
 - c. Previous two years' tax returns, if applicant is self-employed, or if applicant is relying on rental or investment income.
(Please include the 1040 and all schedules.)
 - 4. Copy of Policy Declaration page of homeowner's insurance policy

Other items that may be required:

- 5. Copy of appraisal if completed within the last six months (this is subject to review and approval), or a copy of the county tax valuation if available.
- 6. Complete copy of trust agreement if title to property is held by a trust or UMB's Certification of Trust document, along with specific sections of the trust.

Branch Use ONLY

Branch Number: _____

Customer's Name: _____

Associate's Name: _____

Backup Associate: _____



Disclosure of Right to Receive a Copy of Appraisals

We may order an appraisal to determine the property's value and charge you for this appraisal. If your loan is secured by a first lien on a dwelling we will promptly give you a copy of any appraisal, even if your loan does not close. A copy of the appraisal will be mailed to your current residence as stated on the application unless otherwise specified.

You can pay for an additional appraisal for your own use at your own cost.



MEMBER FDIC

What you should know about home equity lines of credit



Consumer Financial
Protection Bureau

January 2014

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

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1. Introduction

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

1.1 Home equity plan checklist

Ask your lender to help you fill out this worksheet.

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

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

2. What is a home equity line of credit?

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

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

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

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

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

2.1.1 Variable interest rates

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

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

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

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

2.2 Costs of establishing and maintaining a home equity line

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

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

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

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

2.3 How will you repay your home equity plan?

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

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

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

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

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

2.4 Line of credit vs. traditional second mortgage loans

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

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

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

2.4.1 Disclosures from lenders

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

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

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

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

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

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

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

APPENDIX A:

Defined terms

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

DEFINED TERM

**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 (consumerfinance.gov/f/201204_CFPB_ARMs-brochure.pdf) 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 adjustable-rate-mortgage 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, lessor, or assignee's legal right to your property (such as your home, stocks, or bonds) that secures payment of your obligation under the credit agreement. The property that secures payment of your obligation is referred to as "collateral."

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.

APPENDIX B:

More information

For more information about mortgages, including home equity lines of credit, visit consumerfinance.gov/mortgage. For answers to questions about mortgages and other financial topics, visit consumerfinance.gov/askcfpb. You may also visit the CFPB's website at consumerfinance.gov/owning-a-home to access interactive tools and resources for mortgage shoppers, which are expected to be available beginning in 2014.

Housing counselors can be very helpful, especially for first-time home buyers or if you're having trouble paying your mortgage. The U.S. Department of Housing and Urban Development (HUD) supports housing counseling agencies throughout the country that can provide free or low-cost advice. You can search for HUD-approved housing counseling agencies in your area on the CFPB's web site at consumerfinance.gov/find-a-housing-counselor or by calling HUD's interactive toll-free number at 800-569-4287.

The company that collects your mortgage payments is your loan servicer. This may not be the same company as your lender. If you have concerns about how your loan is being serviced or another aspect of your mortgage, you may wish to submit a complaint to the CFPB at consumerfinance.gov/complaint or by calling (855) 411-CFPB (2372).

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

APPENDIX C:

Contact information

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

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

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

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

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