



Thank you for your inquiry regarding a Fixed Rate Equity Loan or Home Equity Credit Line with Boiling Springs Savings Bank. The information and requirements herein are designated to facilitate the processing of your application. There are no application or origination charges to be paid by you in connection with this loan request.

This loan covers the borrower's one to four family **primary residence** only.

Please complete the entire application (three pages), and sign and date. Please be sure to complete all sections and include addresses and zip codes.

In addition to the above, the following additional documents will be required at the time you submit your application for consideration:

- **Salaried Applicants**
 1. Copies of your 2 most recent W-2 forms from your employer
 2. Copies of your 2 most recent pay stubs from your employer

- **Self-Employed Applicants or those relying on income other than salaried wages (e.g. commissions, rental income, interest income, dividend income, alimony, etc.)**
 1. Complete and signed copies of your 2 most recent Individual Federal Income Tax Returns
 2. Copies of your 2 most recent W-2 forms from your employer (if applicable)
 3. Copies of your 2 most recent pay stubs from your employer (if applicable)

Note: In all cases, if you desire any income to be considered, you must supply verification of it at the time you submit your credit application. For example, income such as Social Security and other retirement income is often not fully disclosed on Individual Federal Income Tax returns. Therefore, it will become necessary for you to supply us with evidence of this income. Copies of monthly/annual statements will often suffice, but will be determined upon receipt.

Upon approval of your loan request, Boiling Springs Savings Bank must be named as loss payee on your homeowner's insurance policy. Coverage on the dwelling must be equal to or greater than the total balances of any existing first mortgage and this loan request.

IMPORTANT INFORMATION ABOUT PROCEDURES FOR OPENING A NEW ACCOUNT

To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account.

What this means for you: When you open an account, we will ask for your name, address, date of birth, and other information that will allow us to identify you. We may also ask to see your driver's license or other identifying documents.

In accordance with the USA PATRIOT ACT, the bank has enacted the Customer Identification Program. This program requires that the Bank obtain one form of primary and one form of secondary identification prior to the consummation of your loan. Should your loan request be approved, examples of satisfactory forms of identification will be further disclosed in our commitment letter to you.

NOTICE - APPRAISAL COPY: You have the right to a copy of the appraisal report used in connection with your application for credit. If you wish a copy, please write to us at the mailing address we have provided. We must hear from you no later than 90 days after we notify you about the action taken on your credit application or you withdraw your application.

We are pleased to have this opportunity to serve you. Should you have any questions concerning this matter, please contact our Loan Origination Department between 9 & 4 Monday through Friday at 201-507-3200. Additional information on programs and up to date rates can be obtained by either calling our Loan Origination Department or visit our website at www.bssbank.com. Boiling Springs Savings Bank is an Equal Housing Lender.

25 Orient Way Rutherford, New Jersey 07070 * (201) 507-3200 * Fax (201) 635-9775



25 Orient Way, Rutherford, NJ • (201) 507-3200 • Fax: (201) 635-9775

Consumer Credit Application

(Please Print or Type)

LOAN TYPE FIXED RATE HOME EQUITY LOAN HOME EQUITY LINE OF CREDIT

CHECK APPLICABLE BOX: INDIVIDUAL CREDIT (Applicant Only) JOINT CREDIT – If you are applying for a joint account that you and another person will use, complete all sections, providing information about the Joint-Applicant or user.

We intend to apply for Joint Credit.

Applicant Signature _____ Joint-Applicant Signature _____

DATE	AMOUNT REQUESTED	TERM (HELOC-N/A)	PROCEEDS OF LOAN TO BE USED FOR:
------	------------------	------------------	----------------------------------

Applicant: Complete this section. Also complete "Co-Applicant" section if this is a joint application. If you are relying on income from another source for payment of this loan, see notice below.

Joint-Applicant: Complete this section. If you are relying on income from another source for payment of this loan, see notice below.

Name (First, MI, Last) Complete Marital Status Only if Secured by Real Estate
 Unmarried
 Married
 Separated

Name (First, MI, Last) Complete Marital Status Only if Secured by Real Estate
 Unmarried
 Married
 Separated

Address

Address

City State Zip How Long

City State Zip How Long

Social Security # Date of Birth Phone Number

Social Security # Date of Birth Phone Number

Are you other than a U.S. citizen or permanent alien? Yes (explain below) No

Are you other than a U.S. citizen or permanent alien? Yes (explain below) No

Email Address

Email Address

Own Mortgage/Rent Payment Mortgage Holder or Landlord
 Rent

Own Mortgage/Rent Payment Mortgage Holder or Landlord
 Rent

Employer Name/If Self Employed Name of Business How Long Employed

Employer Name/If Self Employed Name of Business How Long Employed

Employer Address

Employer Address

City State Zip

City State Zip

Annual Salary Position Business Phone

Annual Salary Position Business Phone

Previous Employer Name (if less than 3 years as current employment)

Previous Employer Name (if less than 3 years as current employment)

Address

Address

Position How Long Employed

Position How Long Employed

Name of Nearest Relative Not Living With You

Name of Nearest Relative Not Living With You

Address

Address

Phone Relationship

Phone Relationship

Other Income: List all other sources of income e.g. p/t work, social security, dividends, etc. (NOTICE: Alimony, child support, or separate maintenance income need not be revealed if you do not wish to have it considered as basis for repaying this obligation.) If you wish to rely on other income, you must provide us with the name, address, and phone number of the person(s) who will be making payments to you in the "Provider" section below. Use an additional page if needed.

Applicant Other Income Source

Applicant Other Income Source

Provider

Provider

If my loan is granted, please charge the monthly payment of this obligation to my BSSB

() checking account () statement savings account ACCOUNT #: _____

PLEASE COMPLETE

Financial Statement Information (values are in whole dollars)

Assets	Liabilities		<small>Check If to Be paid In full With this loan</small>
Cash in Banks	Lender	Account #	Balance
_____ \$ _____	_____	_____	\$ _____ \$ _____ <input type="checkbox"/>
_____ \$ _____	_____	_____	\$ _____ \$ _____ <input type="checkbox"/>
_____ \$ _____	_____	_____	\$ _____ \$ _____ <input type="checkbox"/>
_____ \$ _____	_____	_____	\$ _____ \$ _____ <input type="checkbox"/>
Stocks/Bonds	_____	_____	\$ _____ \$ _____ <input type="checkbox"/>
_____ \$ _____	_____	_____	\$ _____ \$ _____ <input type="checkbox"/>
_____ \$ _____	_____	_____	\$ _____ \$ _____ <input type="checkbox"/>
_____ \$ _____	_____	_____	\$ _____ \$ _____ <input type="checkbox"/>
_____ \$ _____	_____	_____	\$ _____ \$ _____ <input type="checkbox"/>
Cash Value Life Insurance	_____	_____	\$ _____ \$ _____ <input type="checkbox"/>
_____ \$ _____	_____	_____	\$ _____ \$ _____ <input type="checkbox"/>
Real Estate	Mortgage		
1. _____ \$ _____	1. _____	_____	\$ _____ \$ _____ <input type="checkbox"/>
2. _____ \$ _____	2. _____	_____	\$ _____ \$ _____ <input type="checkbox"/>
3. _____ \$ _____	3. _____	_____	\$ _____ \$ _____ <input type="checkbox"/>
List Other Tangible Assets	Alimony/Child Support		\$ _____
_____ \$ _____			
_____ \$ _____			
_____ \$ _____			
_____ \$ _____			
_____ \$ _____			
Total Assets \$ _____	Total Liabilities		\$ _____ \$ _____
	Net Worth		\$ _____
	(Total Assets Minus Total Liabilities)		

Real Property Information: For Home Equity Loans and Lines of Credit please provide information on the property that will be used to secure loan.

Address (No. and Street) Town/City County State Zip

<input type="checkbox"/> Single Family Home	<input type="checkbox"/> Condo	Principal Residence of Applicant	Year Built	Lot #/Block #	Date Purchased	Purchase Price
<input type="checkbox"/> Town Home	<input type="checkbox"/> 2-4 Family	<input type="checkbox"/> Yes <input type="checkbox"/> No		/		\$
Present Value	Mortgage Balance	Mortgage Held By:	Monthly Payment	Annual Property Taxes		
\$	\$		\$	\$		
Are Taxes Included in Payment?	Annual Insurance Premium	Is Ins. Premium Included in Payment	Name of Insurance Company			
<input type="checkbox"/> Yes <input type="checkbox"/> No	\$	<input type="checkbox"/> Yes <input type="checkbox"/> No				
Second Mortgage Holder	Second Mortgage Balance	Monthly Payment	<input type="checkbox"/> Fixed Rate/Term			
	\$	\$	<input type="checkbox"/> Revolving Line of Credit			

List names and addresses of all co-owners or others who may have an interest in the property, other than the applicant(s):

NOTICE – APPRAISAL COPY: You have the right to a copy of the appraisal report used in connection with your application for credit. If you want a copy, please write to us at the mailing address we have provided. We must hear from you no later than ninety (90) days after we notify you about the action taken on your credit application or when you withdraw your application. In your letter, give us the following information: loan or application number (if known), date of application, name(s), property address and current mailing address.

Applies to Home Equity Loans Only - 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 laws. You are not required to furnish this information, but are encouraged to do so. You may select one or more designations for "race". The law provides that a lender may not discriminate on the basis of this information, nor on whether you choose to furnish it. However, if you choose not to furnish the information and you have made this application in person, under federal regulations the lender is required to note ethnicity, race and sex on the basis of visual observation or surname. If you do not wish to furnish the information, please check below.

APPLICANT: <input type="checkbox"/> I do not wish to furnish this information	CO-APPLICANT: <input type="checkbox"/> I do not wish to furnish this information
Ethnicity: <input type="checkbox"/> Hispanic or Latino <input type="checkbox"/> Not Hispanic or Latino	Ethnicity: <input type="checkbox"/> Hispanic or Latino <input type="checkbox"/> Not Hispanic or Latino
Race: <input type="checkbox"/> American Indian, Alaskan Native <input type="checkbox"/> Native Hawaiian or Other Pacific Islander <input type="checkbox"/> Asian <input type="checkbox"/> White <input type="checkbox"/> Black or African American	Race: <input type="checkbox"/> American Indian, Alaskan Native <input type="checkbox"/> Native Hawaiian or Other Pacific Islander <input type="checkbox"/> Asian <input type="checkbox"/> White <input type="checkbox"/> Black or African American
Sex: <input type="checkbox"/> Female <input type="checkbox"/> Male	Sex: <input type="checkbox"/> Female <input type="checkbox"/> Male

AUTHORIZATION

I/WE AUTHORIZE the Lender to make whatever credit inquiries it deems necessary in connection with this credit application or in the course of review of collection of any credit extended in reliance on the application. I/We authorize and instruct any person or consumer reporting agency to compile and furnish to the lender any information it may have or obtain in response to such credit inquiries and agree that same shall remain your property whether or not credit is extended. All information set forth in this application is declared to be a true representation of facts for the purpose of obtaining the credit requested. Any willful misrepresentation on this application could result in criminal action. I/WE understand that the original or a copy of this application will be retained by you, even if the loan is not granted.

Applicant's Signature _____ Date _____	Co-Applicant's Signature _____ Date _____
--	---

HOW DID YOU HEAR ABOUT US?	FOR LENDER'S USE ONLY
ORIGINATION TRACKING: <input type="checkbox"/> DIRECT MAIL <input type="checkbox"/> CUSTOMER REFERRAL <input type="checkbox"/> TELEMARKETING <input type="checkbox"/> WALK-IN <input type="checkbox"/> EMPLOYEE REFERRAL <input type="checkbox"/> STATEMENT STUFFER <input type="checkbox"/> LOBBY SIGN <input type="checkbox"/> NEWSPAPER (Name) _____ <input type="checkbox"/> OTHER _____	HOW WAS APPLICATION RECEIVED: <input type="checkbox"/> BY MAIL <input type="checkbox"/> IN PERSON <input type="checkbox"/> TELEPHONE <input type="checkbox"/> FACSIMILE ACCEPTED BY: _____ BANK REPRESENTATIVE'S NAME BRANCH LOCATION: _____

Office Locations

- | | | | |
|---|---|--|--|
| <u>Corporate Headquarters</u>
25 Orient Way
Rutherford, NJ 07070
201-939-5000 | <u>Hillsdale</u>
440 Hillsdale Avenue
Hillsdale, NJ 07642
201-666-6711 | <u>Montclair</u>
122 Watchung Avenue
Upper Montclair, NJ 07043
973-233-1005 | <u>Rochelle Park</u>
250 West Passaic Street
Rochelle Park, NJ 07662
201-843-7005 |
| <u>Clifton</u>
Clifton Commons Shop. Cntr.
102 Kingsland Road
Clifton, NJ 07014
973-365-6000 | <u>Lake Hiawatha</u>
66 North Beverwyck Road
Lake Hiawatha, NJ 07034
973-257-8882 | <u>Montville</u>
448 Main Road
Towaco, NJ 07082
973-588-9300 | <u>Rutherford</u>
25 Orient Way
Rutherford, NJ 07070
201-939-6600 |
| <u>Florham Park</u>
209 Ridgedale Avenue
Florham Park, NJ 07932
973-301-1940 | <u>Lincoln Park</u>
60 Beaverbrook Road
Lincoln Park, NJ 07035
973-696-7100 | <u>Ridgewood</u>
1124 East Ridgewood Avenue
Ridgewood, NJ 07450
201-445-4000 | 280 Union Avenue
Rutherford, NJ 07070
201-933-4140 |
| <u>Glen Rock</u>
217 Rock Road
Glen Rock, NJ 07452
201-445-4008 | <u>Lyndhurst</u>
753 Ridge Road
Lyndhurst, NJ 07071
201-939-5550 | 55 North Broad Street
Ridgewood, NJ 07450
201-445-4002 | <u>Wyckoff</u>
Boulder Run Shop. Cntr.
319 Franklin Avenue
Wyckoff, NJ 07481
201-891-2400 |
| <u>Glen Ridge</u>
222 Ridgewood Avenue
Glen Ridge, NJ 07028
973-387-8288 | <u>Mahwah</u>
6 East Ramapo Avenue
Mahwah, NJ 07430
201-512-9300 | 531 North Maple Avenue
Ridgewood, NJ 07450
201-445-7887 | |

“Come Home to Better Banking”



Privacy Policy

At Boiling Springs Savings Bank we are committed to servicing the needs of our customers and we want you to understand how we protect your privacy when we collect and use information about you and how we safeguard that information.

FACTS WHAT DOES BOILING SPRINGS SAVINGS BANK DO WITH YOUR PERSONAL INFORMATION?

WHY?

Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.

WHAT?

The types of personal information we collect and share depend on the product or service you have with us. This information can include:

- Social Security number and income
- account balances and payment history
- credit history and credit scores

When you are *no longer* our customer, we continue to share your information as described in this notice.

HOW?

All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons Boiling Springs Savings Bank chooses to share; and whether you can limit this sharing.

Reasons we can share your personal information	Does BSSB share?	Can you limit this sharing?
For our everyday business purposes— such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus	YES	NO
For our marketing purposes— to offer our products and services to you	YES	NO
For joint marketing with other financial companies	NO	WE DON'T SHARE
For our affiliates' everyday business purposes— information about your transactions and experiences	NO	WE DON'T SHARE
For our affiliates' everyday business purposes— information about your creditworthiness	NO	WE DON'T SHARE
For affiliates to market to you	NO	WE DON'T SHARE
For nonaffiliates to market to you	NO	WE DON'T SHARE

Questions?

Call (201)939-5000 or go to www.bssbank.com.

What we do

How does Boiling Springs Savings Bank protect my personal information?	To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings.
How does Boiling Springs Savings Bank collect my personal information?	<p>We collect your personal information, for example, when you</p> <ul style="list-style-type: none"> • open an account or deposit money • pay your bills or apply for a loan • use your debit card <p>We also collect your personal information from others, such as credit bureaus, affiliates, or other companies.</p>
Why can't I limit all sharing?	<p>Federal law gives you the right to limit only</p> <ul style="list-style-type: none"> • sharing for affiliates' everyday business purposes—information about your creditworthiness • affiliates from using your information to market to you • sharing for nonaffiliates to market to you <p>State laws and individual companies may give you additional rights to limit sharing.</p>

Definitions

Affiliates	<p>Companies related by common ownership or control. They can be financial and nonfinancial companies.</p> <ul style="list-style-type: none"> • <i>Boiling Springs Savings Bank has no affiliates.</i>
Nonaffiliates	<p>Companies not related by common ownership or control. They can be financial and nonfinancial companies.</p> <ul style="list-style-type: none"> • <i>Boiling Springs Savings Bank does not share with nonaffiliates so they can market to you.</i>
Joint Marketing	<p>A formal agreement between nonaffiliated financial companies that together market financial products or services to you.</p> <ul style="list-style-type: none"> • <i>Boiling Springs Savings Bank doesn't jointly market.</i>

**HOME EQUITY LINE OF CREDIT
EARLY DISCLOSURE**



NMLS Company Identifier: **710383**
NMLS Originator Identifier: **762465**

In this disclosure the words "you" and "your" mean the recipient of this disclosure, and the words "we," "us" and "our" mean **Boiling Springs Savings Bank**, the Lender listed above. "e" means an estimate.

IMPORTANT TERMS OF OUR HOME EQUITY LINE OF CREDIT

RETENTION OF INFORMATION. This disclosure contains important information about our home equity line of credit, **Boiling Springs Savings Bank Home Equity Line of Credit** ("Account"). You should read it carefully and keep a copy for your records.

AVAILABILITY OF TERMS. All of the terms described below are subject to change. If these terms change (other than the Annual Percentage Rate) and you decide, as a result, not to enter into an Agreement with us, you are entitled to a refund of any fees you paid to us or anyone else in connection with your application.

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

POSSIBLE ACTIONS. We can terminate your Account and require you to pay us the entire outstanding balance in one payment if: you engage in fraud or material misrepresentation in connection with the Account; or you do not meet the repayment terms; or your action or inaction adversely affects the collateral or our rights in the collateral; and/or federal law dealing with credit extended by us to you specifically requires that as a condition of your Account the credit shall become due and payable on demand.

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; or we reasonably believe you will not be able to meet the repayment requirements due to a material change in your financial circumstances; or you are in default of a material obligation in the Agreement; or government action prevents us from imposing the Annual Percentage Rate provided for or impairs our security interest such that the value of the interest is less than 120 percent of the credit line; or a regulatory agency has notified us that continued advances would constitute an unsafe and unsound practice; and/or the maximum Annual Percentage Rate is reached.

MINIMUM PAYMENT REQUIREMENTS. You can obtain advances of credit for **120** months (the "Draw Period"). During the Draw Period, payments will be due monthly. Your minimum periodic payment will be equal to the greater of **0.416%** of the outstanding principal balance of your Account plus the accrued interest as of the closing date of each billing statement or **\$100.00**, unless your unpaid balance is less than the latter amount, in which case your minimum payment will be that amount.

After the Draw Period ends, you will no longer be able to obtain credit advances and must pay the outstanding balance over **240** months (the "Repayment Period"). During the Repayment Period, payments will be due monthly. Your minimum periodic payment during the Repayment Period will be calculated in the same way as it was during the Draw Period.

MINIMUM-PAYMENT EXAMPLE. If you made only the minimum monthly payments and took no other credit advances, it would take **10.083** years to pay off a credit advance of \$10,000.00 at an **ANNUAL PERCENTAGE RATE** of **3.750%**. During the Draw Period, you would make **120** monthly payments of **\$100.00**. This would be followed by one final payment of **\$8.91**.

FEES AND CHARGES. To open and maintain your Account, you must carry insurance on the property securing your Account. There are no other fees and charges associated with this Account.

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

OTHER PRODUCTS . If you ask, we will provide you with information on our other available home equity products.

MINIMUM TRANSACTION REQUIREMENTS. The minimum initial credit advance for this Account is **\$500.00**. The minimum ongoing credit advance for this Account is **\$500.00**.

VARIABLE RATE FEATURE. The Account has a variable rate feature. The Annual Percentage Rate (corresponding to the periodic rate) and the minimum payment can change as a result. This 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 Wall Street Journal published Prime Rate ("Index") (if published in a range, the highest number in the range will be used)** and is **published in the Wall Street Journal**. To determine the Annual Percentage Rate that will apply to your Account, we subtract a margin from the value of the index. Ask us for the current index value, margin and Annual Percentage Rate. After you open an Account, rate information will be provided on periodic statements that we furnish to you.

RATE CHANGES. The Annual Percentage Rate can change monthly. The maximum **ANNUAL PERCENTAGE RATE** that can apply is **15.000%**. Apart from this rate cap, there is no limit on the amount by which the rate can change in any one-year period, except that under no circumstances will the rate ever be less than **3.750%** per annum.

MAXIMUM-RATE AND PAYMENT EXAMPLE. If the **ANNUAL PERCENTAGE RATE** during the Draw Period equaled the **15.000%** maximum and you had an outstanding balance of \$10,000.00, your minimum payment would be **\$166.60**. The maximum Annual Percentage Rate could be reached the first time your Annual Percentage Rate changes, unless your initial rate is equal to the maximum, in which case it would be reached immediately. If you had an outstanding balance of \$10,000.00 at the beginning of the Repayment Period, the minimum payment at the maximum **ANNUAL PERCENTAGE RATE** of **15.000%** would be **\$166.60**. This Annual Percentage Rate could be reached at the beginning of the Repayment Period.

HISTORICAL EXAMPLE. The following table shows how the Annual Percentage Rate and the minimum payments for a single \$10,000.00 credit advance would have changed based on changes in the index over the past 15 years. The index values are from **the last business day of May** 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, that only the minimum payments were made, and that the rate remained constant during each year. It does not necessarily indicate how the index or your payments will change in the future.

Year	Index	Margin*	ANNUAL PERCENTAGE RATE	Minimum Periodic Payment
1998	8.500%	- 1.000%	7.500%	\$104.10
1999	7.750%	- 1.000%	6.750%	\$100.00
2000	9.000%	- 1.000%	8.000%	\$100.00
2001	7.500%	- 1.000%	6.500%	\$100.00
2002	4.750%	- 1.000%	3.750%	\$100.00
2003	4.250%	- 1.000%	3.750% ***	\$100.00
2004	4.000%	- 1.000%	3.750% ***	\$100.00
2005	5.750%	- 1.000%	4.750%	\$100.00
2006	7.750%	- 1.000%	6.750%	\$100.00
2007	8.250%	- 1.000%	7.250%	\$100.00 ^{1/}
2008	5.000%	- 1.000%	4.000%	\$100.00
2009	5.000%	- 1.000%	4.000%	\$100.00
2010	5.000%	- 1.000%	4.000%	\$0.00
2011	5.000%	- 1.000%	4.000%	\$0.00
2012	3.250%	- 1.000%	3.750% ***	\$0.00

* This is a margin we have used recently.

*** This rate reflects the lifetime rate change limit.

^{1/} Draw period ends on the 120th month.

ADDITIONAL PROVISIONS. Early Retirement Fee - \$500.00 - Due if the line is closed at your request within 18 months of origination.

Dormancy Fee - \$50.00 - Due if the account remains inactive for a period of 12 consecutive months.



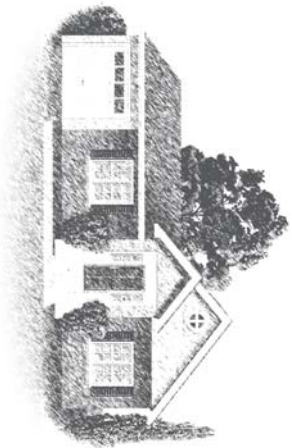
The Federal Reserve Board

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	\$ 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.

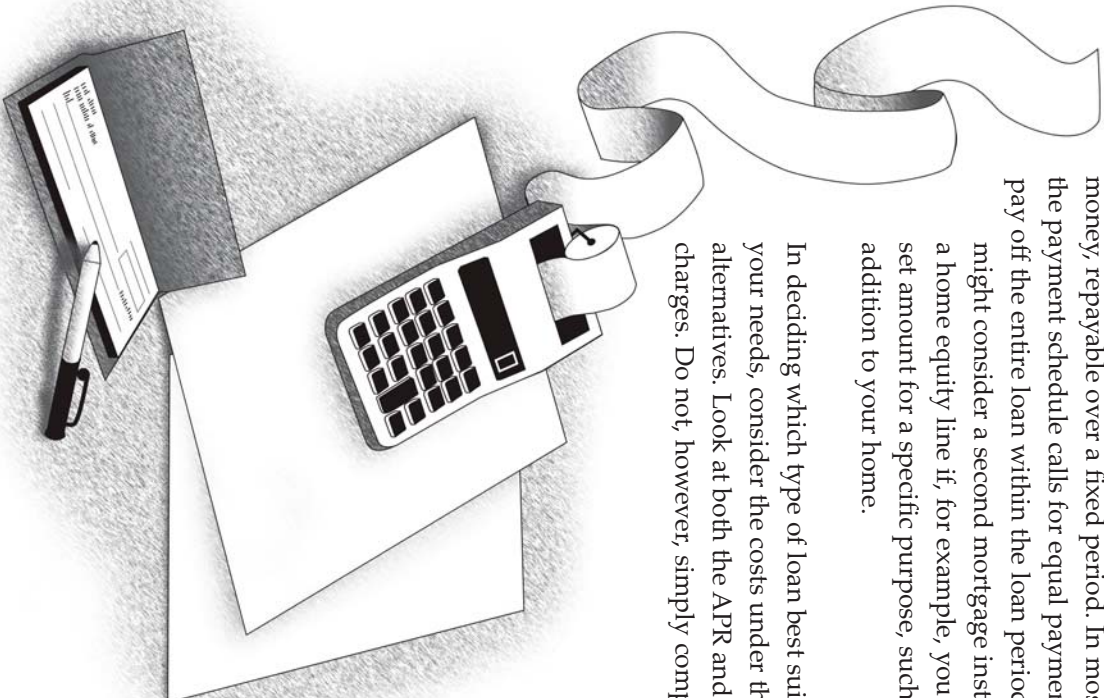
If your plan has a variable interest rate, your monthly payments may change. Assume, for example, that you borrow \$10,000 under a plan that calls for interest-only payments. At a 10% interest rate, your monthly payments would be \$83. If the rate rises over time to 15%, your monthly payments will increase 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
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/ConsumerProtection
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.