

### Required for all Borrowers

- Copy of your current homeowners' insurance policy
- Copy of your most recent property tax bill
- Copy of your current mortgage statement

### Employed Borrowers (with a W-2)

- W-2's (2 years)
- Paystubs (total of one month)

### Retirement or Social Security Income

- Current 1099
- Social Security Award Letter
- Pension Letter (if applicable)

### Self-Employed Borrowers

- Tax Returns (2 years both personal and business federal tax returns with all schedules)
- Current Profit & Loss
- CPA letter on letterhead and signed by the accountant verifying existence of business and percentage of ownership.

**To expedite your loan request, please return copies of the above documents/items on this checklist with your application.**



## Uniform Residential Loan Application

**Verify and complete the information on this application.** If you are applying for this loan with others, each additional Borrower must provide information as directed by your Lender.

**Section 1: Borrower Information.** This section asks about your personal information and your income from employment and other sources, such as retirement, that you want considered to qualify for this loan.

### 1a. Personal Information

<p><b>Name</b> (First, Middle, Last, Suffix) _____</p> <p><b>Alternate Names</b> – List any names by which you are known or any names under which credit was previously received (First, Middle, Last, Suffix) _____</p>	<p><b>Social Security Number</b> _____ – _____ – _____                  (or Individual Taxpayer Identification Number)</p> <p><b>Date of Birth</b> (mm/dd/yyyy) _____ / _____ / _____</p> <p><b>Citizenship</b></p> <p><input type="radio"/> U.S. Citizen</p> <p><input type="radio"/> Permanent Resident Alien</p> <p><input type="radio"/> Non-Permanent Resident Alien</p>
--	---

<p><b>Type of Credit</b></p> <p><input type="radio"/> I am applying for <b>individual credit</b>.</p> <p><input type="radio"/> I am applying for <b>joint credit</b>. Total Number of Borrowers: _____                  Each Borrower intends to apply for joint credit. <b>Your initials:</b> _____</p>	<p><b>List Name(s) of Other Borrower(s) Applying for this Loan</b>                  (First, Middle, Last, Suffix) – Use a separator between names</p>
--	---

<p><b>Marital Status</b></p> <p><input type="radio"/> Married</p> <p><input type="radio"/> Separated</p> <p><input type="radio"/> Unmarried                  (Single, Divorced, Widowed, Civil Union, Domestic Partnership, Registered Reciprocal Beneficiary Relationship)</p>	<p><b>Dependents</b> (not listed by another Borrower)</p> <p>Number _____</p> <p>Ages _____</p>	<p><b>Contact Information</b></p> <p><b>Home Phone</b> (____) _____ – _____</p> <p><b>Cell Phone</b> (____) _____ – _____</p> <p><b>Work Phone</b> (____) _____ – _____ <b>Ext.</b> _____</p> <p><b>Email</b> _____</p>
---	---	---

**Current Address**

Street \_\_\_\_\_ Unit # \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ ZIP \_\_\_\_\_ Country \_\_\_\_\_

How Long at Current Address? \_\_\_ Years \_\_\_ Months **Housing**  No primary housing expense  Own  Rent (\$ \_\_\_\_\_ /month)

**If at Current Address for LESS than 2 years, list Former Address**  **Does not apply**

Street \_\_\_\_\_ Unit # \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ ZIP \_\_\_\_\_ Country \_\_\_\_\_

How Long at Former Address? \_\_\_ Years \_\_\_ Months **Housing**  No primary housing expense  Own  Rent (\$ \_\_\_\_\_ /month)

**Mailing Address** – if different from Current Address  **Does not apply**

Street \_\_\_\_\_ Unit # \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ ZIP \_\_\_\_\_ Country \_\_\_\_\_

### 1b. Current Employment/Self-Employment and Income

**Does not apply**

<p><b>Employer or Business Name</b> _____ Phone (____) _____ – _____</p> <p>Street _____ Unit # _____</p> <p>City _____ State _____ ZIP _____ Country _____</p> <p><b>Position or Title</b> _____</p> <p><b>Start Date</b> ____ / ____ / ____ (mm/dd/yyyy)</p> <p>How long in this line of work? ___ Years ___ Months</p>	<p><b>Gross Monthly Income</b></p> <p>Base \$ _____ /month</p> <p>Overtime \$ _____ /month</p> <p>Bonus \$ _____ /month</p> <p>Commission \$ _____ /month</p> <p>Military Entitlements \$ _____ /month</p> <p>Other \$ _____ /month</p> <p><b>TOTAL \$</b> _____ <b>0.00/month</b></p>
<p><b>Check if this statement applies:</b></p> <p><input type="checkbox"/> I am employed by a family member, property seller, real estate agent, or other party to the transaction.</p>	
<p><input type="checkbox"/> <b>Check if you are the Business Owner or Self-Employed</b> <input type="radio"/> I have an ownership share of less than 25%. <b>Monthly Income (or Loss)</b> \$ _____</p> <p><input type="radio"/> I have an ownership share of 25% or more. \$ _____</p>	

**1c. IF APPLICABLE, Complete Information for Additional Employment/Self-Employment and Income**

Does not apply

Employer or Business Name \_\_\_\_\_ Phone (\_\_\_\_) \_\_\_\_ - \_\_\_\_\_  
 Street \_\_\_\_\_ Unit # \_\_\_\_\_  
 City \_\_\_\_\_ State \_\_\_\_\_ ZIP \_\_\_\_\_ Country \_\_\_\_\_

**Gross Monthly Income**  
 Base \$ \_\_\_\_\_ /month  
 Overtime \$ \_\_\_\_\_ /month  
 Bonus \$ \_\_\_\_\_ /month  
 Commission \$ \_\_\_\_\_ /month  
 Military Entitlements \$ \_\_\_\_\_ /month  
 Other \$ \_\_\_\_\_ /month  
**TOTAL \$ \_\_\_\_\_ 0.00/month**

Position or Title \_\_\_\_\_  
 Start Date \_\_\_\_ / \_\_\_\_ / \_\_\_\_ (mm/dd/yyyy)  
 How long in this line of work? \_\_\_\_ Years \_\_\_\_ Months

**Check if this statement applies:**  
 I am employed by a family member, property seller, real estate agent, or other party to the transaction.

Check if you are the Business Owner or Self-Employed  I have an ownership share of less than 25%. **Monthly Income (or Loss)** \$ \_\_\_\_\_  
 I have an ownership share of 25% or more.

**1d. IF APPLICABLE, Complete Information for Previous Employment/Self-Employment and Income**

Does not apply

Provide at least 2 years of current and previous employment and income.

Employer or Business Name \_\_\_\_\_  
 Street \_\_\_\_\_ Unit # \_\_\_\_\_  
 City \_\_\_\_\_ State \_\_\_\_\_ ZIP \_\_\_\_\_ Country \_\_\_\_\_

**Previous Gross Monthly Income \$ \_\_\_\_\_ /month**

Position or Title \_\_\_\_\_  
 Start Date \_\_\_\_ / \_\_\_\_ / \_\_\_\_ (mm/dd/yyyy)  
 End Date \_\_\_\_ / \_\_\_\_ / \_\_\_\_ (mm/dd/yyyy)

Check if you were the Business Owner or Self-Employed

**1e. Income from Other Sources**

Does not apply

Include income from other sources below. Under Income Source, choose from the sources listed here:

- Alimony
- Automobile Allowance
- Boarder Income
- Capital Gains
- Child Support
- Disability
- Foster Care
- Housing or Parsonage
- Interest and Dividends
- Mortgage Credit Certificate
- Mortgage Differential
- Payments
- Notes Receivable
- Public Assistance
- Retirement
- (e.g., Pension, IRA)
- Royalty Payments
- Separate Maintenance
- Social Security
- Trust
- Unemployment Benefits
- VA Compensation
- Other

**NOTE:** Reveal alimony, child support, separate maintenance, or other income ONLY IF you want it considered in determining your qualification for this loan.

Income Source – use list above	Monthly Income
	\$
	\$
	\$
<b>Provide TOTAL Amount Here</b>	<b>\$ 0.00</b>

**Section 2: Financial Information — Assets and Liabilities.** This section asks about things you own that are worth money and that you want considered to qualify for this loan. It then asks about your liabilities (or debts) that you pay each month, such as credit cards, alimony, or other expenses.

**2a. Assets – Bank Accounts, Retirement, and Other Accounts You Have**

Include all accounts below. Under Account Type, choose from the types listed here:

- Checking
- Savings
- Money Market
- Certificate of Deposit
- Mutual Fund
- Stocks
- Stock Options
- Bonds
- Retirement (e.g., 401k, IRA)
- Bridge Loan Proceeds
- Individual Development Account
- Trust Account
- Cash Value of Life Insurance (used for the transaction)

Account Type – use list above	Financial Institution	Account Number	Cash or Market Value
			\$
			\$
			\$
			\$
			\$
<b>Provide TOTAL Amount Here</b>			<b>\$ 0.00</b>

**2b. Other Assets and Credits You Have**

Does not apply

Include all other assets and credits below. Under Asset or Credit Type, choose from the types listed here:

- |  |   |  |
|--|---|--|
| <p><i>Assets</i></p> <ul style="list-style-type: none"> <li>• Proceeds from Real Estate</li> <li>• Property to be sold on or before closing</li> </ul> | <ul style="list-style-type: none"> <li>• Proceeds from Sale of Non-Real Estate Asset</li> <li>• Secured Borrowed Funds</li> </ul> | <p><i>Credits</i></p> <ul style="list-style-type: none"> <li>• Unsecured Borrowed Funds</li> <li>• Other</li> <li>• Earnest Money</li> <li>• Employer Assistance</li> <li>• Lot Equity</li> <li>• Relocation Funds</li> <li>• Rent Credit</li> <li>• Sweat Equity</li> <li>• Trade Equity</li> </ul> |
|--|---|--|

Asset or Credit Type – use list above	Cash or Market Value
	\$
	\$
	\$
	\$
<b>Provide TOTAL Amount Here</b>	<b>\$ 0.00</b>

**2c. Liabilities – Credit Cards, Other Debts, and Leases that You Owe**

Does not apply

List all liabilities below (except real estate) and include deferred payments. Under Account Type, choose from the types listed here:

- Revolving (e.g., credit cards)
- Installment (e.g., car, student, personal loans)
- Open 30-Day (balance paid monthly)
- Lease (not real estate)
- Other

Account Type – use list above	Company Name	Account Number	Unpaid Balance	To be paid off at or before closing	Monthly Payment
			\$	<input type="checkbox"/>	\$
			\$	<input type="checkbox"/>	\$
			\$	<input type="checkbox"/>	\$
			\$	<input type="checkbox"/>	\$
			\$	<input type="checkbox"/>	\$

**2d. Other Liabilities and Expenses**

Does not apply

Include all other liabilities and expenses below. Choose from the types listed here:

Account Type – use list above	Monthly Payment
	\$
	\$
	\$

**Borrower Name:** \_\_\_\_\_

**Section 3: Financial Information — Real Estate.** This section asks you to list all properties you currently own and what you owe on them.  *I do not own any real estate*

**3a. Property You Own**

If you are refinancing, list the property you are refinancing FIRST.

Address Street \_\_\_\_\_ Unit # \_\_\_\_\_  
 City \_\_\_\_\_ State \_\_\_\_\_ ZIP \_\_\_\_\_ Country \_\_\_\_\_

Property Value	Status: Sold, Pending Sale, or Retained	Intended Occupancy: Investment, Primary Residence, Second Home, Other	Monthly Insurance, Taxes, Association Dues, etc. <i>if not included in Monthly Mortgage Payment</i>	For 2-4 Unit Primary or Investment Property	
				Monthly Rental Income	For LENDER to calculate: Net Monthly Rental Income
\$			\$	\$	\$

Mortgage Loans on this Property  *Does not apply*

Creditor Name	Account Number	Monthly Mortgage Payment	Unpaid Balance	<i>To be paid off at or before closing</i>	Type: FHA, VA, Conventional, USDA-RD, Other	Credit Limit <i>(if applicable)</i>
		\$	\$	<input type="checkbox"/>		\$
		\$	\$	<input type="checkbox"/>		\$

**3b. IF APPLICABLE, Complete Information for Additional Property**

*Does not apply*

Address Street \_\_\_\_\_ Unit # \_\_\_\_\_  
 City \_\_\_\_\_ State \_\_\_\_\_ ZIP \_\_\_\_\_ Country \_\_\_\_\_

Property Value	Status: Sold, Pending Sale, or Retained	Intended Occupancy: Investment, Primary Residence, Second Home, Other	Monthly Insurance, Taxes, Association Dues, etc. <i>if not included in Monthly Mortgage Payment</i>	For 2-4 Unit Primary or Investment Property	
				Monthly Rental Income	For LENDER to calculate: Net Monthly Rental Income
\$			\$	\$	\$

Mortgage Loans on this Property  *Does not apply*

Creditor Name	Account Number	Monthly Mortgage Payment	Unpaid Balance	<i>To be paid off at or before closing</i>	Type: FHA, VA, Conventional, USDA-RD, Other	Credit Limit <i>(if applicable)</i>
		\$	\$	<input type="checkbox"/>		\$
		\$	\$	<input type="checkbox"/>		\$

**3c. IF APPLICABLE, Complete Information for Additional Property**

*Does not apply*

Address Street \_\_\_\_\_ Unit # \_\_\_\_\_  
 City \_\_\_\_\_ State \_\_\_\_\_ ZIP \_\_\_\_\_ Country \_\_\_\_\_

Property Value	Status: Sold, Pending Sale, or Retained	Intended Occupancy: Investment, Primary Residence, Second Home, Other	Monthly Insurance, Taxes, Association Dues, etc. <i>if not included in Monthly Mortgage Payment</i>	For 2-4 Unit Primary or Investment Property	
				Monthly Rental Income	For LENDER to calculate: Net Monthly Rental Income
\$			\$	\$	\$

Mortgage Loans on this Property  *Does not apply*

Creditor Name	Account Number	Monthly Mortgage Payment	Unpaid Balance	<i>To be paid off at or before closing</i>	Type: FHA, VA, Conventional, USDA-RD, Other	Credit Limit <i>(if applicable)</i>
		\$	\$	<input type="checkbox"/>		\$
		\$	\$	<input type="checkbox"/>		\$

**Borrower Name:** \_\_\_\_\_  
 Uniform Residential Loan Application  
 Freddie Mac Form 65 • Fannie Mae Form 1003  
 Effective 1/2021

**Section 4: Loan and Property Information.** This section asks about the loan's purpose and the property you want to purchase or refinance.

**4a. Loan and Property Information**

**Loan Amount** \$ \_\_\_\_\_ **Loan Purpose**  Purchase  Refinance  Other (specify) \_\_\_\_\_  
**Property Address** Street \_\_\_\_\_ Unit # \_\_\_\_\_  
 City \_\_\_\_\_ State \_\_\_\_\_ ZIP \_\_\_\_\_ County \_\_\_\_\_  
 Number of Units \_\_\_\_\_ **Property Value** \$ \_\_\_\_\_  
**Occupancy**  Primary Residence  Second Home  Investment Property **FHA Secondary Residence**   
**1. Mixed-Use Property.** If you will occupy the property, will you set aside space within the property to operate your own business? (e.g., daycare facility, medical office, beauty/barber shop)  NO  YES  
**2. Manufactured Home.** Is the property a manufactured home? (e.g., a factory built dwelling built on a permanent chassis)  NO  YES

**4b. Other New Mortgage Loans on the Property You are Buying or Refinancing**  Does not apply

Creditor Name	Lien Type	Monthly Payment	Loan Amount/ Amount to be Drawn	Credit Limit (if applicable)
	<input type="radio"/> First Lien <input type="radio"/> Subordinate Lien	\$ _____	\$ _____	\$ _____
	<input type="radio"/> First Lien <input type="radio"/> Subordinate Lien	\$ _____	\$ _____	\$ _____

**4c. Rental Income on the Property You Want to Purchase** **For Purchase Only**  Does not apply

Complete if the property is a 2-4 Unit Primary Residence or an Investment Property	Amount
Expected Monthly Rental Income	\$ _____
<b>For LENDER to calculate:</b> Expected Net Monthly Rental Income	\$ _____

**4d. Gifts or Grants You Have Been Given or Will Receive for this Loan**  Does not apply

Include all gifts and grants below. Under Source, choose from the sources listed here:

- Community Nonprofit
- Federal Agency
- Relative
- State Agency
- Lender
- Employer
- Local Agency
- Religious Nonprofit
- Unmarried Partner
- Other

Asset Type: Cash Gift, Gift of Equity, Grant	Deposited/Not Deposited	Source – use list above	Cash or Market Value
	<input type="radio"/> Deposited <input type="radio"/> Not Deposited		\$ _____
	<input type="radio"/> Deposited <input type="radio"/> Not Deposited		\$ _____

**Section 5: Declarations.** This section asks you specific questions about the property, your funding, and your past financial history.

**5a. About this Property and Your Money for this Loan**

<p><b>A.</b> Will you occupy the property as your primary residence?          If YES, have you had an ownership interest in another property in the last three years?          If YES, complete (1) and (2) below:          (1) What type of property did you own: primary residence (PR), FHA secondary residence (SR), second home (SH), or investment property (IP)?          (2) How did you hold title to the property: by yourself (S), jointly with your spouse (SP), or jointly with another person (O)?</p>	<p><input type="radio"/> NO <input type="radio"/> YES  <input type="radio"/> NO <input type="radio"/> YES          _____          _____</p>
<p><b>B.</b> If this is a Purchase Transaction: Do you have a family relationship or business affiliation with the seller of the property?</p>	<p><input type="radio"/> NO <input type="radio"/> YES</p>
<p><b>C.</b> Are you borrowing any money for this real estate transaction (<i>e.g., money for your closing costs or down payment</i>) or obtaining any money from another party, such as the seller or realtor, that you have not disclosed on this loan application?          If YES, what is the amount of this money?</p>	<p><input type="radio"/> NO <input type="radio"/> YES          \$ _____</p>
<p><b>D.</b> 1. Have you or will you be applying for a mortgage loan on another property (not the property securing this loan) on or before closing this transaction that is not disclosed on this loan application?          2. Have you or will you be applying for any new credit (<i>e.g., installment loan, credit card, etc.</i>) on or before closing this loan that is not disclosed on this application?</p>	<p><input type="radio"/> NO <input type="radio"/> YES  <input type="radio"/> NO <input type="radio"/> YES</p>
<p><b>E.</b> Will this property be subject to a lien that could take priority over the first mortgage lien, such as a clean energy lien paid through your property taxes (<i>e.g., the Property Assessed Clean Energy Program</i>)?</p>	<p><input type="radio"/> NO <input type="radio"/> YES</p>

**5b. About Your Finances**

<p><b>F.</b> Are you a co-signer or guarantor on any debt or loan that is not disclosed on this application?</p>	<p><input type="radio"/> NO <input type="radio"/> YES</p>
<p><b>G.</b> Are there any outstanding judgments against you?</p>	<p><input type="radio"/> NO <input type="radio"/> YES</p>
<p><b>H.</b> Are you currently delinquent or in default on a Federal debt?</p>	<p><input type="radio"/> NO <input type="radio"/> YES</p>
<p><b>I.</b> Are you a party to a lawsuit in which you potentially have any personal financial liability?</p>	<p><input type="radio"/> NO <input type="radio"/> YES</p>
<p><b>J.</b> Have you conveyed title to any property in lieu of foreclosure in the past 7 years?</p>	<p><input type="radio"/> NO <input type="radio"/> YES</p>
<p><b>K.</b> Within the past 7 years, have you completed a pre-foreclosure sale or short sale, whereby the property was sold to a third party and the Lender agreed to accept less than the outstanding mortgage balance due?</p>	<p><input type="radio"/> NO <input type="radio"/> YES</p>
<p><b>L.</b> Have you had property foreclosed upon in the last 7 years?</p>	<p><input type="radio"/> NO <input type="radio"/> YES</p>
<p><b>M.</b> Have you declared bankruptcy within the past 7 years?          If YES, identify the type(s) of bankruptcy:    <input type="checkbox"/> Chapter 7    <input type="checkbox"/> Chapter 11    <input type="checkbox"/> Chapter 12    <input type="checkbox"/> Chapter 13</p>	<p><input type="radio"/> NO <input type="radio"/> YES</p>



**Section 6: Acknowledgments and Agreements.** This section tells you about your legal obligations when you sign this application.

**Acknowledgments and Agreements**

**Definitions:**

- "Lender" includes the Lender's agents, service providers, and any of their successors and assigns.
- "Other Loan Participants" includes (i) any actual or potential owners of a loan resulting from this application (the "Loan"), (ii) acquirers of any beneficial or other interest in the Loan, (iii) any mortgage insurer, (iv) any guarantor, (v) any servicer of the Loan, and (vi) any of these parties' service providers, successors or assigns.

**I agree to, acknowledge, and represent the following:**

**(1) The Complete Information for this Application**

- The information I have provided in this application is true, accurate, and complete as of the date I signed this application.
- If the information I submitted changes or I have new information before closing of the Loan, I must change and supplement this application, including providing any updated/supplemented real estate sales contract.
- For purchase transactions: The terms and conditions of any real estate sales contract signed by me in connection with this application are true, accurate, and complete to the best of my knowledge and belief. I have not entered into any other agreement, written or oral, in connection with this real estate transaction.
- The Lender and Other Loan Participants may rely on the information contained in the application before and after closing of the Loan.
- Any intentional or negligent misrepresentation of information may result in the imposition of:
  - (a) civil liability on me, including monetary damages, if a person suffers any loss because the person relied on any misrepresentation that I have made on this application, and/or
  - (b) criminal penalties on me including, but not limited to, fine or imprisonment or both under the provisions of Federal law (18 U.S.C. §§ 1001 *et seq.*).

**(2) The Property's Security**

The Loan I have applied for in this application will be secured by a mortgage or deed of trust which provides the Lender a security interest in the property described in this application.

**(3) The Property's Appraisal, Value, and Condition**

- Any appraisal or value of the property obtained by the Lender is for use by the Lender and Other Loan Participants.
- The Lender and Other Loan Participants have not made any representation or warranty, express or implied, to me about the property, its condition, or its value.

**(4) Electronic Records and Signatures**

- The Lender and Other Loan Participants may keep any paper record and/or electronic record of this application, whether or not the Loan is approved.

- If this application is created as (or converted into) an "electronic application", I consent to the use of "electronic records" and "electronic signatures" as the terms are defined in and governed by applicable Federal and/or state electronic transactions laws.
- I intend to sign and have signed this application either using my:
  - (a) electronic signature; or
  - (b) a written signature and agree that if a paper version of this application is converted into an electronic application, the application will be an electronic record, and the representation of my written signature on this application will be my binding electronic signature.
- I agree that the application, if delivered or transmitted to the Lender or Other Loan Participants as an electronic record with my electronic signature, will be as effective and enforceable as a paper application signed by me in writing.

**(5) Delinquency**

- The Lender and Other Loan Participants may report information about my account to credit bureaus. Late payments, missed payments, or other defaults on my account may be reflected in my credit report and will likely affect my credit score.
- If I have trouble making my payments I understand that I may contact a HUD-approved housing counseling organization for advice about actions I can take to meet my mortgage obligations.

**(6) Authorization for Use and Sharing of Information**

By signing below, in addition to the representations and agreements made above, I expressly authorize the Lender and Other Loan Participants to obtain, use, and share with each other (i) the loan application and related loan information and documentation, (ii) a consumer credit report on me, and (iii) my tax return information, as necessary to perform the actions listed below, for so long as they have an interest in my loan or its servicing:

- (a) process and underwrite my loan;
- (b) verify any data contained in my consumer credit report, my loan application and other information supporting my loan application;
- (c) inform credit and investment decisions by the Lender and Other Loan Participants;
- (d) perform audit, quality control, and legal compliance analysis and reviews;
- (e) perform analysis and modeling for risk assessments;
- (f) monitor the account for this loan for potential delinquencies and determine any assistance that may be available to me; and
- (g) other actions permissible under applicable law.

**Borrower Signature** \_\_\_\_\_ Date (mm/dd/yyyy) \_\_\_\_ / \_\_\_\_ / \_\_\_\_

**Additional Borrower Signature** \_\_\_\_\_ Date (mm/dd/yyyy) \_\_\_\_ / \_\_\_\_ / \_\_\_\_

**Section 7: Military Service.** This section asks questions about your (or your deceased spouse's) military service.

**Military Service of Borrower**

**Military Service** – Did you (or your deceased spouse) ever serve, or are you currently serving, in the United States Armed Forces?  NO  YES

- If YES, check all that apply:
- Currently serving on active duty with projected expiration date of service/tour \_\_\_ / \_\_\_ / \_\_\_ (mm/dd/yyyy)
  - Currently retired, discharged, or separated from service
  - Only period of service was as a non-activated member of the Reserve or National Guard
  - Surviving spouse

**Section 8: Demographic Information.** This section asks about your ethnicity, sex, and race.

**Demographic Information of Borrower**

**The purpose of collecting this information** is to help ensure that all applicants are treated fairly and that the housing needs of communities and neighborhoods are being fulfilled. For residential mortgage lending, Federal law requires that we ask applicants for their demographic information (ethnicity, sex, and race) in order to monitor our compliance with equal credit opportunity, fair housing, and home mortgage disclosure laws. You are not required to provide this information, but are encouraged to do so. You may select one or more designations for "Ethnicity" and one or more designations for "Race." **The law provides that we may not discriminate** on the basis of this information, or on whether you choose to provide it. However, if you choose not to provide the information and you have made this application in person, Federal regulations require us to note your ethnicity, sex, and race on the basis of visual observation or surname. The law also provides that we may not discriminate on the basis of age or marital status information you provide in this application. If you do not wish to provide some or all of this information, please check below.

**Ethnicity:** Check one or more

- Hispanic or Latino
  - Mexican
  - Puerto Rican
  - Cuban
  - Other Hispanic or Latino – *Print origin:* \_\_\_\_\_

*For example: Argentinean, Colombian, Dominican, Nicaraguan, Salvadoran, Spaniard, and so on.*

- Not Hispanic or Latino
- I do not wish to provide this information

**Sex**

- Female
- Male
- I do not wish to provide this information

**Race:** Check one or more

- American Indian or Alaska Native – *Print name of enrolled or principal tribe:* \_\_\_\_\_
- Asian
  - Asian Indian
  - Chinese
  - Filipino
  - Japanese
  - Korean
  - Vietnamese
  - Other Asian – *Print race:* \_\_\_\_\_
- For example: Hmong, Laotian, Thai, Pakistani, Cambodian, and so on.*
- Black or African American
- Native Hawaiian or Other Pacific Islander
  - Native Hawaiian
  - Guamanian or Chamorro
  - Samoan
  - Other Pacific Islander – *Print race:* \_\_\_\_\_

*For example: Fijian, Tongan, and so on.*

- White
- I do not wish to provide this information

**To Be Completed by Financial Institution (for application taken in person):**

- Was the ethnicity of the Borrower collected on the basis of visual observation or surname?  NO  YES
- Was the sex of the Borrower collected on the basis of visual observation or surname?  NO  YES
- Was the race of the Borrower collected on the basis of visual observation or surname?  NO  YES

**The Demographic Information was provided through:**

- Face-to-Face Interview (*includes Electronic Media w/ Video Component*)
- Telephone Interview
- Fax or Mail
- Email or Internet

**Borrower Name:** \_\_\_\_\_

**Section 9: Loan Originator Information.** To be completed by your **Loan Originator.**

**Loan Originator Information**

Loan Originator Organization Name \_\_\_\_\_

Address \_\_\_\_\_

Loan Originator Organization NMLSR ID# \_\_\_\_\_ State License ID# \_\_\_\_\_

Loan Originator Name \_\_\_\_\_

Loan Originator NMLSR ID# \_\_\_\_\_ State License ID# \_\_\_\_\_

Email \_\_\_\_\_ Phone ( \_\_\_\_\_ ) \_\_\_\_\_ - \_\_\_\_\_

Signature \_\_\_\_\_ Date (mm/dd/yyyy) \_\_\_\_ / \_\_\_\_ / \_\_\_\_

**Provident Bank**  
**Consumer Lending**  
**P.O. Box 1001**  
**Iselin, New Jersey 08830-1001**  
**732-590-9200**

**FIXED RATE**  
**HOME EQUITY LOAN DISCLOSURE**

**Introduction**

Provident Bank reserves the right to make subsequent changes at any time with regard to any matter covered in this statement as a result of a change in policy, law, regulation or otherwise.

**PART I**  
**Transfer or Sale of Your Home**

If you sell or transfer your home to someone else without Provident Bank's prior written consent (with certain exceptions set forth in the loan documents) the "due on sale" clause in your loan documents provides that all sums (including the outstanding principal balance) owed under the loan documents could become immediately due and payable. This would mean that a large payment could be due at that time, and Provident Bank would not be obligated to refinance the loan. Should you fail to pay all sums due at that time, Provident Bank may exercise other rights it possesses under the loan documents, such as the forced sale of the home, in accordance with applicable laws and regulations.

**Late Payment**

Your loan documents require you to make monthly payments in a timely manner, until the loan is repaid. If you fail to make your loan payments when due, you will be in default under the loan documents, which could result in Provident Bank declaring all sums under the loan to be due, and which could result in a forced sale of your home in accordance with applicable laws and regulations. You may however, be entitled to correct this payment default by promptly making the required monthly payment.

**Prepayment Charge**

Provident Bank does not impose prepayment penalties on its Fixed Rate Home Equity Loans.

**Fees and Charges**

The appropriate county recording fee will be paid from the proceeds of the loan at the time of closing. The recording fee is determined by the county clerk's office for the county the subject property is located. The fee is paid to the county clerk's office to record your mortgage document.

**Flood Insurance**

As a federally regulated institution, if the subject property is located in a FEMA designated high risk flood area, Congress has mandated that flood insurance is required. Provident Bank is required by government regulations to escrow funds for the payment of the flood insurance premiums.

**Non-Default Events Which May Result in the Acceleration of the  
Mortgage Debt or Foreclosure of the Property**

The mortgage documents provide for a number of events which can result in the acceleration of the entire mortgage debt or Provident Bank instituting foreclosure actions. Most of these events concern your failure to perform your obligations under the mortgage loan documents. There is only one non-default event which can result in the acceleration of the entire mortgage debt or Provident Bank instituting foreclosure proceedings.

This is where you sell or transfer all or part of the property to someone else, which was discussed above under “Transfer or Sale of Your Home.”

## **PART II**

### **Interest Rate and Term**

The interest rate charged on Fixed Rate Home Equity Loans is established by the senior management of Provident Bank, after considering Provident Bank’s cost of funds and the local market conditions prevailing at the time. The interest rate on your loan will remain fixed throughout the term of your loan. Provident Bank Fixed Rate Home Equity Loans have terms up to 20 years.

Customers are not guaranteed to be able to refinance their transactions in the future.

At the time a loan is made, Provident Bank determines the amount of your monthly payments based upon an “Amortization Schedule.” To arrive at the Amortization Schedule, Provident Bank takes three factors into consideration: the total amount you will owe, the interest rate charged on the loan and the maturity date of the loan. Your scheduled monthly payments will be computed so that your loan will be repaid in full by the maturity date in substantially equal monthly payment amounts.

Because the monthly payments are computed to be substantially equal, a greater proportion of the monthly payments during the early years of the loan are applied to interest and a smaller amount is applied to reducing the principal loan balance. As each monthly payment is made, a greater percentage of the monthly payment is applied to the reduction of principal and a smaller amount of the monthly payment is applied to interest. This occurs because the principal balance is reduced with each monthly payment. Keep in mind that the Amortization Schedule is determined based upon the assumption that you make all monthly payments on time and that there will be no prepayment, late payments or missed payments. Also, the term “monthly payment,” as used here, refers only to payments of principal and interest.

### **Notice of Right to Receive Appraisal Copy**

We may order an appraisal to determine the property’s value and charge you for this appraisal. We will promptly give you a copy of any appraisal, even if your loan does not close. You can pay for an additional appraisal for your own use at your own cost.

**Provident Bank  
Consumer Lending  
P.O. Box 1001  
Iselin, New Jersey 08830-1001  
732-590-9200**

**IMPORTANT TERMS OF OUR HOME EQUITY PLAN  
(the “Plan”)**

**This disclosure contains important information about our Home Equity Plan line of credit. 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 as a result you decide not to enter into an agreement with us, you are entitled to a refund of any fees that you paid in connection with your application.

**Security Interest:**

We will take a mortgage on your home. You could lose your home if you do not meet the obligations in your agreement with us.

**Property and Flood Insurance:**

You must carry insurance on the property that secures this Plan.  
Flood insurance will only be required by us if it is necessary under law.

If the subject property is located or be located in an area determined to have special flood hazards, Congress has mandated that flood insurance is required. An areas risk for flooding is determined by the Federal Emergency Management Agency (FEMA), which issues Standard Flood Insurance Policies (SFIP) under the National Flood Insurance Program (NFIP) to help recovery efforts after severe flooding has occurred. Provident Bank accepts flood insurance policies issued under the NFIP and policies issued by private insurers provided that they meet certain specified requirements as required by law, including but not limited to:

- the definition of “flood” meets the definition of “flood” as defined in the SFIP;
- is written by an insurance company licensed, admitted or otherwise approved to engage in the insurance business of the state in which the property securing the loan is located;
- the coverage provided is at least as broad as the coverage provided under the SFIP and includes provisions and notifications similar to policies under the NFIP.

**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:

1. You engage in fraud or material misrepresentation in connection with the Plan.
2. You do not meet the repayment terms of the Plan.
3. Your action or inaction adversely affects the collateral for the Plan or our rights in the collateral.

We can refuse to make additional extensions of credit or reduce your credit limit during any period that:

1. You exceed your Credit Limit;
2. The value of the dwelling securing the Plan declines significantly below the appraised value we used for purposes of establishing both your credit line and credit limit;
3. We reasonably believe that you will not be able to meet the repayment requirements, due to a material change in your financial circumstances;
4. You are in default of a material obligation under this Plan or of any provision set forth in the mortgage;
5. Government action prevents us from imposing the ANNUAL PERCENTAGE RATE provided for under the Plan or impairs our security interest such that the value of the interest is less than 120 percent of the credit line;
6. A government authority has notified us that continued advances would constitute an unsafe and unsound banking practice;
7. The maximum ANNUAL PERCENTAGE RATE is reached.

### **Change of Terms:**

The Home Equity Plan Agreement permits us to make certain changes to the terms of the Plan at specified times or upon the occurrence of specified events. In addition, we may change, with your written consent, any terms or condition of your Home Equity Plan Agreement. Also, we may make, without your consent: (i) insignificant changes to your Plan; (ii) any changes which unequivocally benefit you; and/or (iii) any changes to the index and margin used under your Plan if the original index is no longer available and if both the new index has historical movement substantially similar to that of the original index and the new index margin would have resulted in an annual percent rate substantially similar to the rate in effect at the time the original index became unavailable.

### **Fees and Charges**

For Plans that are secured by a property located in New Jersey, a \$60.00 - \$100.00 recording fee (depending on county) will be assessed. For Plans that are secured by a property located in Pennsylvania, a \$25.00 - \$250.00 recording fee (depending on county) will be assessed. For plans that are secured by a property located in New York, the recording fee will vary depending on county, loan amount, property type and other assessments specific to the loan being granted. The fees shown are necessary to record your mortgage documents with the county clerk's office where the property securing the loan is located, are subject to change by the respective county administrators, and will be collected at time of closing.

If you cancel your Home Equity Plan Line Agreement within the first 24 months from the date the note is signed, you may be required to pay a cancellation fee of \$250.00.

A \$50.00 Annual Maintenance Fee will be charged after the first year, and every year thereafter, for the duration of your Home Equity Plan line. This fee will be charged annually, regardless of your outstanding balance.

You will be required to keep the building(s) that are part of the real property mortgaged to us insured at all times against loss by fire and any other hazard that we may specify. You will choose the insurer, subject to our reasonable approval, and pay all premiums.

### **Minimum Payment Requirements:**

You can obtain advances of credit under your Home Equity Plan for 10 years (the “draw period”). During the draw period, your payments will be due monthly, and your minimum monthly payment will equal the sum of (i) a principal payment of the greater of \$50.00 or 1/180th of the total outstanding principal balance, plus (ii) any finance charges that have accrued on the outstanding balance and the amount of any past payment(s) due.

After the draw period ends, you will no longer be able to obtain credit advances and must repay the outstanding balance over the next 15 years or less (the “repayment period”). During the repayment period, payments will be due monthly. Your minimum monthly payment will equal the sum of (i) a principal payment of the greater of \$50.00 or 1/180th of the total principal balance outstanding on your loan, plus (ii) any finance charges that have accrued on the outstanding balance and the amount of any past payment(s) due.

### **Minimum Payment Example:**

If you made only the minimum monthly payment and took no other credit advances, it would take 16 years and 7 months to pay off a credit advance of \$10,000.00 at an ANNUAL PERCENTAGE RATE of 3.25%. During that period, you would make 198 payments varying between \$82.64 and \$50.26, and one final payment of \$45.64.

### **Minimum Draw Requirement:**

The minimum credit advanced that you can receive is \$500.00.

### **Tax Deductibility:**

You should consult a tax advisor regarding the deductibility of interest and charges under the Plan.

### **Variable-Rate Feature:**

Your Home Equity 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 of your loan.

The ANNUAL PERCENTAGE RATE is based on the value of what is called an “index”. The index throughout the duration of your Plan is the Prime Rate on the last day of the month as published in the Wall Street Journal. To determine the ANNUAL PERCENTAGE RATE that will apply to your account, we add a margin to the value of the index.

**PROMOTIONS:** If your Plan was approved as part of a product promotion, the initial ANNUAL PERCENTAGE RATE on your Plan is “discounted”. The discounted rate is not based on the index and margin used for later rate adjustments. The initial discounted rate for your Plan will be “introductory ANNUAL PERCENTAGE RATE which will apply to the first six (6) full billing cycles, after the date the credit line is opened, regardless of any outstanding balances”. When the initial discounted rate expires, the ANNUAL PERCENTAGE RATE applicable to your Plan will increase or decrease on a monthly basis in accordance with the index and margin provided in you Plan

Ask us for the current index value, margin and ANNUAL PERCENTAGE RATE. After you open a credit line, rate information will be provided on periodic statements that we send you.

### **Rate Changes:**

The ANNUAL PERCENTAGE RATE can change monthly. The maximum ANNUAL PERCENTAGE RATE that can apply during the Plan is 16.5%. The minimum ANNUAL PERCENTAGE RATE that can be applied



to your Plan is 3.00% (the “Rate Floor”). Apart from this Rate Cap and Rate Floor, there is no limit on the amount by which the interest rate under your Plan can change from each Billing Cycle to the next.

**Maximum Rate and Payment Examples:**

If during the draw period the ANNUAL PERCENTAGE RATE equaled the 16.5% maximum and you had an outstanding balance of \$10,000.00, the minimum monthly payment would be \$193.06.

If you had an outstanding balance of \$10,000.00 at the beginning of the repayment period, the minimum monthly payment at the maximum ANNUAL PERCENTAGE RATE of 16.5% would be \$193.06. This maximum ANNUAL PERCENTAGE RATE could be reached during the first month of the repayment period.

**Rate Information:**

The current ANNUAL PERCENTAGE RATE in place for any given month will be set forth on each monthly Home Equity Plan account statement.

**Fixed Loan Option (Home Equity Line of Credit):**

You have the option at any time of converting part of your outstanding Provident home equity line to a fixed rate loan. You can have no more than three (3) fixed term, fixed rate loans under your credit line at any one time. The minimum amount, which you can convert to a fixed loan, is \$5,000.00. Your line of credit is replenished by an amount equal to the principal reduction on your fixed rate loan(s). Fixed rates are based on the rate and term for a comparable Provident home equity loan at the time of conversion. The ability to convert to a fixed rate is available only during the draw period.

**HISTORICAL EXAMPLE:**

The following table shows how the ANNUAL PERCENTAGE RATE and the monthly payments for a single \$10,000.00 cash advance would have changed based on changes in the indices over the past 15 years. The index values are from January 1st of each year. While only one payment amount per year is shown, payment amounts would have varied during each year.

The table assumes that no additional credit advances were taken and that only the minimum payment was made. It does not necessarily indicate how the index or your payment would change in the future.

	Year	Index	Annual Margin	Percentage Rate	Monthly Payment
<b>DRAW PERIOD</b>	2008	7.25%	-0.0025	7.00%	\$113.89
	2009	3.25%	0.00	3.25%	\$77.29
	2010	3.25%	0.00	3.25%	\$73.69
	2011	3.25%	0.00	3.25%	\$72.06
	2012	3.25%	0.00	3.25%	\$70.44
	2013	3.25%	0.00	3.25%	\$68.81
	2014	3.25%	0.00	3.25%	\$67.19
	2015	3.25%	0.00	3.25%	\$65.56
<b>REPAYMENT PERIOD</b>	2016	3.50%	0.00	3.50%	\$65.01
	2017	3.75%	0.00	3.75%	\$64.20
	2018	4.50%	0.00	4.50%	\$64.80
	2019	5.50%	0.00	5.50%	\$65.33
	2020	4.75%	0.00	4.75%	\$60.87
	2021	3.25%	0.00	3.25%	\$55.81
	2022	3.25%	0.00	3.25%	\$54.19

\*This is a margin we have used recently.

\*\*This ANNUAL PERCENTAGE RATE reflects a discount that we have provided recently; your Plan may be discounted by a different amount.

### **NOTICE OF RIGHT TO RECEIVE APPRAISAL COPY**

We may order an appraisal to determine the property's value and charge you for this appraisal. We will promptly give you a copy of any appraisal, even if your loan does not close. You can pay for an additional appraisal for your own use at your own cost.

**Provident Bank  
Consumer Lending  
P.O. Box 1001  
Iselin, New Jersey 08830-1001  
732-590-9200**

## **Customer Identification Program**

### **The government did its part:**

The events of September 11, 2001 resulted in legislation designed to help America fight terrorism. The government created this legislation to provide our country with stronger surveillance powers, tougher criminal laws against terrorism, and improved national intelligence. The legislation affected the financial industry and its anti-money laundering laws. By making these changes, the government hopes to stop large sums of money from being at the disposal of terrorists.

### **Now you can do your part to support these efforts:**

All financial institutions are required to more carefully verify the identity of their account owners, loan applicants, parties to trusts, and purchasers of investments products. 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 or apply for a loan, 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 or ask you additional questions at the time of your transaction. We also may ask for the identifying information (e.g. Social Security Number, Driver's License Number, etc. – see list on back cover) for signatories on business accounts, government/municipal accounts, and community group accounts. You can assist in the effort to uncover any suspicious activities before they threaten our nation's security by providing the required proof of identification and answering these questions.

### **What will happen with the information you provide us:**

The information we request of you will primarily be used to provide you with the products and services you requested, but will also assist us in the nation's effort to fight against terrorism. Regulations require that the information you provide us be verified using one or more methods. For instance, we may compare it against public information databases to verify that information provided is current, accurate, and valid. This use is consistent with our Privacy Policy previously provided to you, and will not change our current information-sharing practices. This means that you can be confident that the information you provide us will remain secure, while making sure that our country's financial institutions are free from misuse by terrorists and money launderers.

### **Safeguard yourself from fraud:**

There's increasing evidence that credit card, debit card, and similar fraud is a major source of funding for terrorists. By obtaining personal information about you - such as your debit or credit card numbers, personal identification numbers (PINs), deposit account numbers, Social Security Number, and Driver's License Number - terrorists can unlawfully make withdrawals or purchases in your name. In doing so, they not only take what doesn't belong to them, which can damage your credit and reputation in the process, but they may be funding terrorism.

To help prevent becoming a victim of fraud:

- Keep your credit cards, debit cards, PINs, checks, account numbers, Social Security Number, Driver's License Number, and other personal information in a safe place.
- Keep deposit and withdrawal slips as well as credit and debit card receipts where they will be safe, and always shred them first before disposing of them.
- Shred expired credit/debit/ATM/identification cards, credit card solicitations, credit card statements, financial institution statements, utility bills, insurance information, medical bills, and investment updates, before discarding them.
- Don't put your trash out until shortly before it will be picked up.
- Don't put mail in your curbside mailbox until shortly before it will be picked up.
- Take your mail out of your curbside mailbox as soon as possible after it is delivered. If you're traveling, have the U.S. Postal Service hold your mail or have someone you trust pick it up daily.
- Limit the information on your checks to only that which is absolutely required, and don't carry any more credit or debit cards than necessary.
- Don't provide your personal information to anyone in person, over the telephone, or over the Internet, unless you have very good reason to trust them.
- Don't provide your personal information to any website that doesn't use encryption or other secure methods to protect it.
- Use a firewall if you have a high-speed Internet connection. This software can be purchased on-line or from most software retailers.
- Don't use PINs or other passwords that are easy to guess such as family birth dates or your pet's name.
- Examine your credit card, debit card, and bank statements immediately upon receipt to determine whether there are any unauthorized transactions. Immediately report any unauthorized transactions to the financial institution.
- Make a prompt inquiry if bills or statements are not received in a timely manner as this could mean they are being diverted by an identity thief.
- Obtain copies of your credit report annually from each of the three major credit-reporting agencies (shown below) to make sure it is accurate and that the credit accounts reported are legitimate.

You may also wish to do the following:

- Request to not receive any preapproved offers of credit by calling 1.888.5.OPT.OUT.
- Ask to be removed from national direct mail lists by writing to the DMA Mail Preference Service at P.O. Box 9008, Farmingdale, NY 11735-9008. Include your name and address.
- Ask to not receive telephone solicitations from national marketers by writing to the DMA Telephone Preference Service at P.O. Box 9014, Farmingdale, NY 11735-9014. Include your name, address and telephone number(s).

**What to do if you discover you're a victim of fraud:**

1. Contact the Federal Trade Commission at:

www.ftc.gov  
1.877.438.4338

Federal Trade Commission, Consumer Response Center  
600 Pennsylvania Avenue NW, Washington, D.C. 20580

2. Write to or call the three major credit reporting agencies to place a fraud alert on your credit report and request a copy of your credit report:

Equifax	Experian	TransUnion
P.O. Box 740256 Atlanta, GA 30374-0256	P.O. Box 1017 Allen, TX 75013-1017	Fraud Victim Assistance Division P.O. Box 6790 Fullerton, CA 92834-6790
www.equifax.com	www.experian.com	www.transunion.com
1.800.525.6285 1.888.766.0008 (fraud alerts)	1.888.397.3742	1.800.680.7289

3. Cancel all accounts that have had fraudulent activity or are at risk.
4. Contact your local law enforcement agency.
5. Contact the U.S. Postal Service if you know or suspect your mail has been stolen.
6. Keep detailed records of any theft of your identity and of your activities to resolve the theft including logs of the following:
  - a. The date, time, and amount of any unauthorized activity on your accounts;
  - b. The date, time, duration, and cost of any phone calls; and
  - c. The date and cost of any mailings.

**Important information about procedures for closing a new loan:**

As part of the application process, each person who will be a responsible party on the loan must provide information from two of the following documents of which one document **MUST** be a document shown in bold faced type:

- State-issued Driver's License with Photo
- U.S. Passport or Passport Card with Photo
- Foreign Passport
- Entry Visa issued by U.S. Government
- State-issued ID Document or Non-Driver's License
- Permanent Resident Card
- Certificate of Naturalization
- Employment Authorization Card issued by U.S. Government
- Temporary Resident Card
- Official Identification Card with Photo (police, civilian auxiliary, fire, etc.)
- Medicaid or Medicare Card
- Major/National Credit Card with signature

# 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](http://consumerfinance.gov/owning-a-home) to access interactive tools and resources for mortgage shoppers, which are expected to be available beginning in 2014.

# Table of contents

- Table of contents.....3**
  
- 1. Introduction ..... 4**
  - 1.1 Home equity plan checklist..... 4**
  
- 2. What is a home equity line of credit? ..... 6**
  - 2.1 What should you look for when shopping for a plan? ..... 7**
  - 2.2 Costs of establishing and maintaining a home equity line ..... 8**
  - 2.3 How will you repay your home equity plan? ..... 9**
  - 2.4 Line of credit vs. traditional second mortgage loans..... 10**
  - 2.5 What if the lender freezes or reduces your line of credit? ..... 11**
  
- Appendix A ..... 12**
  - Defined terms ..... 12
  
- Appendix B: ..... 15**
  - More information .....15
  
- Appendix C: ..... 16**
  - Contact information ..... 16



# 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	%	%
Index used and current value	%	%
Amount of margin		
Frequency of rate adjustments		
Amount/length of discount (if any)		
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
<b>Potential line of credit</b>	<b>\$35,000</b>

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](https://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](https://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](http://consumerfinance.gov/mortgage). For answers to questions about mortgages and other financial topics, visit [consumerfinance.gov/askcfpb](http://consumerfinance.gov/askcfpb). You may also visit the CFPB's website at [consumerfinance.gov/owning-a-home](http://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](http://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](http://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
<b>Consumer Financial Protection Bureau (CFPB)</b> 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) <a href="https://consumerfinance.gov">consumerfinance.gov</a> <a href="https://consumerfinance.gov/complaint">consumerfinance.gov/complaint</a>
<b>Board of Governors of the Federal Reserve System (FRB)</b> Consumer Help P.O. Box 1200 Minneapolis, MN 55480	Federally insured state-chartered bank members of the Federal Reserve System	(888) 851-1920 <a href="https://federalreserveconsumerhelp.gov">federalreserveconsumerhelp.gov</a>

Regulatory agency	Regulated entities	Contact information
<p><b>Office of the Comptroller of the Currency (OCC)</b> 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 <a href="http://occ.treas.gov">occ.treas.gov</a> <a href="http://helpwithmybank.gov">helpwithmybank.gov</a></p>
<p><b>Federal Deposit Insurance Corporation (FDIC)</b> 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 <a href="http://fdic.gov">fdic.gov</a> <a href="http://fdic.gov/consumers">fdic.gov/consumers</a></p>
<p><b>Federal Housing Finance Agency (FHFA) Consumer Communications</b> 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 <a href="http://fhfa.gov">fhfa.gov</a> <a href="http://fhfa.gov/Default.aspx?Page=369">fhfa.gov/Default.aspx?Page=369</a> <a href="mailto:ConsumerHelp@fhfa.gov">ConsumerHelp@fhfa.gov</a></p>
<p><b>National Credit Union Administration (NCUA)</b> Consumer Assistance 1775 Duke Street Alexandria, VA 22314</p>	<p>Federally chartered credit unions</p>	<p>(800) 755-1030 <a href="http://ncua.gov">ncua.gov</a> <a href="http://mycreditunion.gov">mycreditunion.gov</a></p>
<p><b>Federal Trade Commission (FTC)</b> 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 <a href="http://ftc.gov">ftc.gov</a> <a href="http://ftc.gov/bcp">ftc.gov/bcp</a></p>

Regulatory agency	Regulated entities	Contact information
<p><b>Securities and Exchange Commission (SEC)</b>  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  <a href="http://sec.gov">sec.gov</a>  <a href="http://sec.gov/complaint/select.shtml">sec.gov/complaint/select.shtml</a></p>
<p><b>Farm Credit Administration Office of Congressional and Public Affairs</b>  1501 Farm Credit Drive  McLean, VA 22102</p>	<p>Agricultural lenders</p>	<p>(703) 883-4056  <a href="http://fca.gov">fca.gov</a></p>
<p><b>Small Business Administration (SBA)</b>  Consumer Affairs  409 3<sup>rd</sup> Street, S.W.  Washington, DC 20416</p>	<p>Small business lenders</p>	<p>(800) U-ASK-SBA or  (800) 827-5722  <a href="http://sba.gov">sba.gov</a></p>
<p><b>Commodity Futures Trading Commission (CFTC)</b>  1155 21<sup>st</sup> Street, N.W.  Washington, DC 20581</p>	<p>Commodity brokers, commodity trading advisers, commodity pools, and introducing brokers</p>	<p>(866) 366-2382  <a href="http://cftc.gov/ConsumerProtection/index.htm">cftc.gov/ConsumerProtection/index.htm</a></p>

Regulatory agency	Regulated entities	Contact information
<p><b>U.S. Department of Justice (DOJ)</b>            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  <a href="mailto:fairhousing@usdoj.gov">fairhousing@usdoj.gov</a></p>
<p><b>Department of Housing and Urban Development (HUD)</b> Office of Fair Housing/Equal Opportunity            451 7<sup>th</sup> Street, S.W.            Washington, DC 20410</p>	<p>Fair lending and housing issues</p>	<p>(800) 669-9777  <a href="http://hud.gov/complaints">hud.gov/complaints</a></p>