

Home Equity Easy Access Line of Credit

Checklist

Instructions:

Processing will begin once application is received by the Loan Officer.

Print, complete, and sign the application forms. Then bring them into our nearest branch within 7 days of printing to receive disclosed interest rate. In order to expedite the Home Equity Line of Credit loan process, we need the following information from all applicants:

- Clear/Legible copy of your Driver's License
- Current Paycheck Stub(s)
- Copy of last two year's Federal Tax Returns
- Homeowner's Insurance Policy
- First Mortgage information including
 - Balance
 - Mortgage Company's name and telephone number
 - Loan account number
- Second Mortgage information including
 - Balance
 - Mortgage Company's name and telephone number
 - Loan account number

If you have any questions, please call (816) 358-5000. For a complete list of our locations, please visit www.BlueRidgeBank.com.

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.

BORROWER'S AUTHORIZATION TO VERIFY

1. I/We have applied for a mortgage loan from Blue Ridge Bank and Trust Co. As a part of the application process, Blue Ridge Bank and Trust Co. may verify information contained in my/our loan application and in other documents required in connection with the loan, either before the loan is closed or as part of its quality control program.
2. I/We authorize you to provide Blue Ridge Bank and Trust Co. with all of the information and documentation that they request. Such information includes, but is not limited to, employment history and income, bank, money market and similar account balances, credit history and copies of income tax returns.
3. Blue Ridge Bank and Trust Co. or an investor who purchases the mortgage may address this authorization to any party named in the loan application.
4. A copy of this authorization may be accepted as an original.
5. Your prompt reply to Blue Ridge Bank and Trust Co. is appreciated.

Borrower's Signature

Borrower's Social Security

Borrower's Signature

Borrower's Social Security

PRIVACY ACT NOTICE – This information is to be used by the agency collecting it in determining whether you qualify as a prospective mortgagor under its program. It will not be disclosed outside the agency without your consent as required and permitted by law. You do not have to give us this information, but if you do not, your approval, as a prospective mortgagor may be delayed or rejected. The information requested in this form is authorized by Title 42, U.S.C., 1471 et. seq., or U.S.C., 1921 et. seq.

ORDER FORM / DRIVE BY BORROWER QUESTIONNAIRE

(For limited appraisal report)

Date: _____

From: _____

Client: Blue Ridge Bank and Trust Co.
4200 Little Blue Parkway
Independence, MO 64057
(816) 358-5000, (816) 252-2630 Fax

Borrower's Name(s): _____

Property Address: _____

Brief Legal: _____

1. Date purchased: _____

2. Purchase price: \$ _____

3. Current estimated market value:
\$ _____

4. Major upgrades or additions since purchase: _____

5. Any structural problems and/or items of deferred maintenance:

6. Approximate age of:
Roof _____ years
Furnace _____ years
Air Conditioner _____ years
Kitchen Appliances _____ years

7. Gross living area (**excluding finished basement**): _____

8. No. of finished bedrooms (**excluding finished basement**): _____

9. No. of bathrooms (**excluding finished basement**): _____

10. If applicable, brief description of finished basement including area, number of bedrooms, baths, rec room, family room, etc: _____

11. Current rent if tenant occupied:
\$ _____

RIGHT TO RECEIVE A COPY OF THE APPRAISAL

You have the right to a copy of the appraisal report used in connection with your application for credit. We may order an appraisal to determine the property's value. 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.

Date: _____

Borrower: _____

E-mail address: _____



Member FDIC

EASY ACCESS CREDIT LINE DISCLOSURE

Blue Ridge Bank and Trust Co.
Main Bank
4200 Little Blue Parkway
Independence, MO 64057

IMPORTANT TERMS OF OUR EASY ACCESS CREDIT LINE DISCLOSURE

This disclosure contains important information about our 20 Yr Home Equity 10 Yr Draw 1% Prin 10 Yr Payout (the "Plan" or the "Credit Line"). You should read it carefully and keep a copy for your records.

AVAILABILITY OF TERMS. All of the terms of the Plan described herein are subject to change. If any of 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 that you paid to us or anyone else in connection with your application.

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

POSSIBLE ACTIONS. Under this Plan, we have the following rights:

Termination and Acceleration. We can terminate the Plan and require you to pay us the entire outstanding balance in one payment, and charge you certain fees, if any of the following happens:

- (a) You commit fraud or make a material misrepresentation at any time in connection with the Plan. This can include, for example, a false statement about your income, assets, liabilities, or any other aspect of your financial condition.
- (b) You do not meet the repayment terms of the Plan.
- (c) Your action or inaction adversely affects the collateral for the Plan or our rights in the collateral. This can include, for example, failure to maintain required insurance, waste or destructive use of the dwelling, failure to pay taxes, death of all persons liable on the account, transfer of title or sale of the dwelling, creation of a senior lien on the dwelling without our permission, foreclosure by the holder of another lien or the use of funds or the dwelling for prohibited purposes.

Suspension or Reduction. In addition to any other rights we may have, we can suspend additional extensions of credit or reduce your credit limit during any period in which any of the following are in effect:

- (a) The value of your dwelling declines significantly below the dwelling's appraised value for purposes of the Plan. This includes, for example, a decline such that the initial difference between the credit limit and the available equity is reduced by fifty percent and may include a smaller decline depending on the individual circumstances.
- (b) We reasonably believe that you will be unable to fulfill your payment obligations under the Plan due to a material change in your financial circumstances.
- (c) You are in default under any material obligation of the Plan. We consider all of your obligations to be material. Categories of material obligations include, but are not limited to, the events described above under Termination and Acceleration, obligations to pay fees and charges, obligations and limitations on the receipt of credit advances, obligations concerning maintenance or use of the dwelling or proceeds, obligations to pay and perform the terms of any other deed of trust, mortgage or lease of the dwelling, obligations to notify us and to provide documents or information to us (such as updated financial information), obligations to comply with applicable laws (such as zoning restrictions).
- (d) We are precluded by government action from imposing the annual percentage rate provided for under the Plan.
- (e) The priority of our security interest is adversely affected by government action to the extent that the value of the security interest is less than 120 percent of the credit limit.
- (f) We have been notified by governmental authority that continued advances may constitute an unsafe and unsound business practice.
- (g) The maximum annual percentage rate under the Plan is reached.

Change in Terms. We may make changes to the terms of the Plan if you agree to the change in writing at that time, if the change will unequivocally benefit you throughout the remainder of the Plan, or if the change is insignificant (such as changes relating to our data processing systems).

Fees and Charges. In order to open and maintain an account, you must pay certain fees and charges.

Lender Fees. The following fees must be paid to us:

Description	Amount	When Charged
Points (%):	\$0.00	At Closing
Loan Processing:	\$0.00	At Closing
Other Finance Charge (Points):	\$0.00	At Modification
Flood Certificate (LOL Coverage):	\$0.00	At Closing
Stop Payment Fee:	\$30.00	At the time you request a Stop Payment

Late Charge. Your payment will be late if it is not received by us within 15 days after the "Payment Due Date" shown on your periodic statement. If your payment is late we may charge you 5.000% of the payment or \$25.00, whichever is less.

Third Party Fees. You must pay certain fees to third parties such as appraisers, credit reporting firms, and government agencies.

These third party fees generally total \$0.00. We estimate the breakdown of these as follows:

Description	Amount	When Charged
Flood Certificate (Basic Coverage):	\$0.00	At Closing
Title Registration:	\$0.00	At Closing
Title Insurance:	\$0.00	At Closing
Credit Report:	\$0.00	At Closing
Appraisal:	\$0.00	At Closing

PROPERTY INSURANCE. You must carry insurance on the property that secures the Plan.

MINIMUM PAYMENT REQUIREMENTS. You can obtain advances of credit during the following period: 120 Months (the "Draw Period"). After the Draw Period ends, the repayment period will begin. You will no longer be able to obtain credit advances. The length of the repayment period is as follows: 120 Months. Your Regular Payment will be based on a percentage of your outstanding balance as shown below or \$100.00, whichever is greater ("First Payment Stream"). Your payments will be due monthly.

<u>Range of Balances</u>	<u>Number of Months</u>	<u>Regular Payment Calculation</u>
All Balances	120	1.000% of your outstanding balance

Your "Minimum Payment" will be the Regular Payment, plus any amount past due and all other charges.

**EASY ACCESS CREDIT LINE DISCLOSURE
(Continued)**

A change in the ANNUAL PERCENTAGE RATE can cause the balance to be repaid more quickly or more slowly. When rates decrease, less interest is due, so more of the payment repays the principal balance. When rates increase, more interest is due, so less of the payment repays the principal balance. If this happens, we may adjust your payment as follows: your balance at the beginning of the next payment stream may be increased. Each time the ANNUAL PERCENTAGE RATE increases, we will check to see if your payment is sufficient to pay the interest due. If it is not, your payment will be increased by an amount sufficient to cover all accrued FINANCE CHARGES.

After completion of the First Payment Stream, your Regular Payment will be based on an amortization of your balance at the start of this payment period as shown below or \$100.00, whichever is greater ("Second Payment Stream"). Your payments will be due monthly.

<u>Range of Balances</u>	<u>Number of Payments</u>	<u>Amortization Period</u>
All Balances	120	120 payments

Your "Minimum Payment" will be the Regular Payment, plus any amount past due and all other charges.

A change in the ANNUAL PERCENTAGE RATE can cause the balance to be repaid more quickly or more slowly. When rates decrease, less interest is due, so more of the payment repays the principal balance. When rates increase, more interest is due, so less of the payment repays the principal balance. If this happens, we may adjust your payment as follows: your payment may be increased by the amount necessary to repay the balance by the end of this payment stream. Each time the ANNUAL PERCENTAGE RATE increases, we will review the effect the increase has on your Credit Line Account to see if your payment is sufficient to pay the balance by the Maturity Date. If it is not, your payment will be increased by an amount necessary to repay the balance by the Maturity Date.

In any event, if your Credit Line balance falls below \$100.00, you agree to pay your balance in full.

MINIMUM PAYMENT EXAMPLE. If you made only the minimum payment and took no other credit advances, it would take 11 years and 10 months to pay off a credit advance of \$10,000.00 at an ANNUAL PERCENTAGE RATE of 7.000%. During that period, you would make 120 monthly payments of \$100.00. Then you would make 22 monthly payments ranging from \$80.10 to \$100.00.

TRANSACTION REQUIREMENTS. The following transaction limitations will apply to the use of your Credit Line:

Credit Line Access Check and Telephone Request Limitations. The following transaction limitations will apply to your Credit Line and the writing of Access Checks and requesting an advance by telephone.

Minimum Balance. You must carry insurance on the property that secures the Plan

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

ADDITIONAL HOME EQUITY PROGRAMS. Please ask us about our other available Home Equity Line of Credit plans.

VARIABLE RATE FEATURE. The Plan has a variable rate feature. The ANNUAL PERCENTAGE RATE (corresponding to the periodic rate), the amount of the final payment, and the minimum payment amount can change as a result. The ANNUAL PERCENTAGE RATE does not include costs other than interest.

THE INDEX. The annual percentage rate is based on the value of an index (referred to in this disclosure as the "Index"). The Index is the Prime Rate as identified by the Wall Street Journal Midwest Edition. Information about the Index is available or published the Wall Street Journal Midwest Edition. We will use the most recent Index value available to us as of the first date of your billing cycle annual percentage rate adjustment.

ANNUAL PERCENTAGE RATE. To determine the Periodic Rate that will apply to your First Payment Stream, we subtract a margin from the value of the index, then divide the value by 365 days. To obtain the ANNUAL PERCENTAGE RATE we multiply the Periodic Rate by the number of days in a year (366 during leap years). This result is the ANNUAL PERCENTAGE RATE for your First Payment Stream. To determine the Periodic Rate that will apply to your Second Payment Stream, we add a margin to the value of the Index, then divide the value by 365 days. To obtain the ANNUAL PERCENTAGE RATE we multiply the Periodic Rate by the number of days in a year (366 during leap years). This result is the ANNUAL PERCENTAGE RATE for your Second Payment Stream. A change in the Index rate generally will result in a change in the ANNUAL PERCENTAGE RATE. The amount that your ANNUAL PERCENTAGE RATE may change also may be affected by the lifetime annual percentage rate limits, as discussed below.

Please 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.

Conversion Option. The Plan contains an option to convert the annual percentage rate under the Plan from a variable rate with annual percentage rate limits to a fixed rate as determined below. The following information is representative of conversion option features recently offered by us:

ANNUAL PERCENTAGE RATE Increase. Your ANNUAL PERCENTAGE RATE may increase if you exercise this option to convert to a fixed rate.

Conversion Periods. You can exercise the option to convert to a fixed rate only during the following period or periods: Beginning of the Amortized Repayment Period.

Conversion Fees. You will be required to pay the following fees at the time of conversion to a fixed rate: NA.

Rate Determination. The fixed rate will be determined as follows: As published by Blue Ridge Bank and Trust Co at time of conversion.

Conversion Rules. You can convert to a fixed rate only during the period or periods described above. In addition, the following rules apply to the conversion option for the Plan: 1) approval of the bank required; 2) required documents are signed and in the possession of the bank; 3) balance at the end of the Draw Period is put on an amortizing monthly payment schedule on the remaining repayment period, and 4) all balances regardless of payment structure are secured by the original Mortgage/Deed of Trust.

FREQUENCY OF ANNUAL PERCENTAGE RATE ADJUSTMENTS. Your ANNUAL PERCENTAGE RATE can change Monthly. There is no limit on the amount by which the annual percentage rate can change during any one year period. However, under no circumstances will your ANNUAL PERCENTAGE RATE exceed 24.000% per annum or, go below 5.000% per annum at any time during the term of the Plan.

MAXIMUM RATE AND PAYMENT EXAMPLE.

Draw Period. If you had an outstanding balance of \$10,000.00, the minimum payment at the maximum ANNUAL PERCENTAGE RATE of 24.000% would be \$203.84. This ANNUAL PERCENTAGE RATE could be reached at the time of the 1st payment.

Repayment Period. If you had an outstanding balance of \$10,000.00, the minimum payment at the maximum ANNUAL PERCENTAGE RATE of 24.000% would be \$220.56. This ANNUAL PERCENTAGE RATE could be reached at the time of the 1st payment during the repayment period.

PREPAYMENT. You may prepay all or any amount owing under the Plan at any time without penalty.

HISTORICAL EXAMPLE. The example below 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 from 2012 to 2026. The Index values are from the following reference period: as of July 1. While only one payment per year is shown, payments may have varied during each year. Different outstanding principal balances could result in different payment amounts.

The table assumes that no additional credit advances were taken, that only the minimum payments were made, and that the rate remained constant during the year. It does not necessarily indicate how the Index or your payments would change in the future.

**EASY ACCESS CREDIT LINE DISCLOSURE
(Continued)**

INDEX TABLE

Year (as of July 1)	Index (Percent)	Margin (1) (Percent)	ANNUAL PERCENTAGE RATE	Monthly Payment (Dollars)	
Draw Period	2012.....	3.250...	-0.500	5.000 (8)	100.00
	2013.....	3.250...	-0.500	5.000 (8)	100.00
	2014.....	3.250...	-0.500	5.000 (8)	100.00
	2015.....	3.250...	-0.500	5.000 (8)	100.00
	2016.....	3.500...	-0.500	5.000 (8)	100.00
	2017.....	4.250...	-0.500	5.000 (8)	100.00
	2018.....	5.000...	-0.500	5.000 (8)	100.00
	2019.....	5.500...	-0.500	5.000	100.00
	2020.....	3.250...	-0.500	5.000 (8)	100.00
	2021.....	3.250...	-0.500	5.000 (8)	100.00
	Repayment Period	2022.....	4.750...	0.250	5.000
2023.....		8.250...	0.250	8.500	
2024.....		8.500...	0.250	8.750	
2025.....		7.500...	0.250	7.750	
2026.....		6.750...	0.250	7.000	

(1) This is a margin we have used recently; your margin may be different.
 (8) This A.P.R. reflects a 5.000 percent floor.

BORROWER ACKNOWLEDGMENT

The Borrower, after having read the contents of the above disclosure, acknowledges receipt of this Disclosure Statement and further acknowledges that this Disclosure was completed in full prior to its receipt. The Borrower also acknowledges receipt of the handbook entitled "What you should know about Home Equity Lines of Credit".

BORROWER:

X _____
 Borrower Date

X _____
 Borrower Date

SECTION D ASSETS		LIABILITIES			
Indicate by (*) those liabilities that will be satisfied upon sale of real estate owned or upon refinancing of property.					
Description	Cash or Market Value	Creditor's Name and Address	Account Numbers	Monthly Payment/ No. of Months Left	Unpaid Balance
Checking and Saving Accounts (Names of institutions and account numbers)		Installment Debts (Include "revolving" charge accounts)		Pmt amt/mos	\$
				Pmt amt/mos	\$
				Pmt amt/mos	\$
				Pmt amt/mos	\$
Stocks and Bonds (Number and Description)		Automobile Loans		Pmt amt/mos	\$
Life Insurance Net Cash Value Face Amount (\$)		Real Estate Loans		Pmt amt/mos	\$
Real Estate Owned (Enter market value from schedule of real estate owned)					
Vested Interest in Retirement Fund		Other Debt (include stock pledges)		Pmt amt/mos	\$
Net Worth of Business Owned (Attach financial statement)					
Automobile(s) (Make and Year)				Pmt amt/mos	\$
Furniture and Personal Property		Alimony, Child Support, and Maintenance Payments Owed to:		Pmt amt	
Other Assets (Itemize)			TOTAL MONTHLY PAYMENTS	\$	
(A) Total Assets \$		Net Worth (A minus B)		TOTAL LIABILITIES	(B) \$

SECTION E SCHEDULE OF REAL ESTATE OWNED (If additional properties owned attach separate schedule)								
Address of Property (Indicate S for Sold, PS if Pending Sale or R if Rental being held for income)	↓ S, PS, or R	Type of Property	Present Market Value	Amount of Mortgages and Liens	Gross Rental Income	Mortgage Payments	Taxes, Insurance, Maintenance & Miscellaneous	Net Rental Income
			\$	\$	\$	\$	\$	\$
			\$	\$	\$	\$	\$	\$
			\$	\$	\$	\$	\$	\$
TOTALS			\$	\$	\$	\$	\$	\$

AGREEMENT: The Undersigned applies for the loan indicated in this application, and specifically acknowledges and agrees that said loan is to be secured by a first or second mortgage or deed of trust on the property described herein, and represents that the property will not be used for any illegal or restricted purpose, and that all statements made in this application are true and are made for the purpose of obtaining the loan. Verification or reverification of any information contained in the application may be made at any time by the Lender, its agents, successors and assigns, either directly or through a credit reporting agency, from any source named in this application. The original copy of this application will be retained by the Lender, even if the loan is not granted.

CERTIFICATION: I/We certify that the information provided in this application is true and correct as of the date set forth opposite my/our signature(s) on this application and acknowledge my/our understanding that any intentional or negligent misrepresentation(s) of the information contained in this application may result in civil liability and/or criminal penalties under the provisions of Title 18, United States Code, Section 1001.

Borrower's Signature _____ Co-Borrower's Signature _____
 Date _____ Date _____

SPACE BELOW FOR BANK USE ONLY

	Requested	Received
Credit Report		
Title Commitment		
Appraisal Report		
Flood Certification		
Disclosures		

Date Received _____

Officer's Initials _____

Date Action Taken _____

Officer's Initials _____



e-Disclosure Agreement

Scope of Agreement. Thank you for applying for a mortgage with Blue Ridge Bank and Trust Co. (The bank.) This document provides information about your rights and obligations when receiving certain disclosures and communications from the bank. These include, but are not limited to legal and regulatory disclosures and communications, notices or disclosures about changes to the terms of your Account, and privacy policies and appraisals.

Consent to Receive Disclosures Electronically. You agree that we may provide you with any communications in electronic format, and that we may discontinue sending paper communications to you. You understand that the date that an e-mail notice of availability of the document is delivered to you will be the delivery date for purposes of regulatory requirements.

Email Address. Electronic communications will be sent to the email address that you or any co-applicant provided in your application, and you agree to forward disclosures to all other applicants. If an email is returned as undelivered, we may use any other email address that we have for you or a co-applicant. We also reserve the right to use postal addresses. You must notify us of any change in your email address by calling 816-795-9933, or toll free at 1-888-795-9933, or emailing callcenter@blueridgebank.net. You agree that you are responsible for providing us with your current email address. Unless otherwise required by law, you agree that any electronic communications will be deemed received by you when sent by means set forth above. In accordance with our privacy practices, your email address will not be shared or sold.

Copies. You may keep a copy or print a copy of any electronic communications provided to you. You may request a paper copy of any electronic document at no charge.

Withdrawal of Consent. You may withdraw your consent to receiving electronic communications by calling 816-795-9933, or toll free at 1-888-795-9933, or emailing callcenter@blueridgebank.net. Withdrawal by any one co-applicant will be effective for all applicants. Any withdrawal of your consent to receive electronic communications will be effective only after we have a reasonable period of time to process your withdrawal. You will not be charged a fee for your withdrawal of consent.

Hardware and Software Requirements. The minimum requirements to view your disclosures electronically are:

- Internet access;
- a device that meets the minimum hardware and software requirements specified by your Internet browser software;
- an Internet browser that supports 128-bit Secure Sockets Layer (SSL) encryption, and
- Adobe Reader (<http://www.adobe.com>).

To print or download electronic records of documents, you must have a printer connected to your computer or sufficient free space on your hard drive. If we change the hardware or software requirements for electronic communication, we will notify you of the changes and provide you with a statement of your right to withdraw consent.

Your Ability to Access Disclosures. By signing below, you acknowledge that you can access the electronic disclosures in the designated formats described above, and that you understand and consent to be bound by the terms, conditions and requirements of this agreement.

- I/We consent to receiving electronic communication from Blue Ridge Bank and Trust Co.
- I/We do not consent to receive electronic communication from Blue Ridge Bank and Trust Co.

Signature

Date

Email Address

WHAT YOU SHOULD KNOW ABOUT

Home Equity Lines of Credit (HELOC)

Borrowing from the
value of your home



Consumer Financial
Protection Bureau



An official publication of the U.S. government

How to use the booklet

When you and your lender discuss home equity lines of credit, often referred to as HELOCs, you receive a copy of this booklet. It helps you explore and understand your options when borrowing against the equity in your home.

You can find more information from the Consumer Financial Protection Bureau (CFPB) about home loans at [cfpb.gov/mortgages](https://www.cfpb.gov/mortgages). You'll also find other mortgage-related CFPB resources, facts, and tools to help you take control of your borrowing options.

About the CFPB

The CFPB is a 21st century agency that implements and enforces federal consumer financial law and ensures that markets for consumer financial products are fair, transparent, and competitive.

This pamphlet, titled What you should know about home equity lines of credit, was created to comply with federal law pursuant to 15 U.S.C. 1637a(e) and 12 CFR 1026.40(e).

How can this booklet help you?

This booklet can help you decide whether home equity line of credit is the right choice for you, and help you shop for the best available option.

A home equity line of credit (HELOC) is a loan that allows you to borrow, spend, and repay as you go, using your home as collateral.

Typically, you can borrow up to a specified percentage of your equity. Equity is the value of your home minus the amount you owe on your mortgage.

Consider a HELOC if you are confident you can keep up with the loan payments. If you fall behind or can't repay the loan on schedule, you could lose your home.

After you finish this booklet:

- You'll understand the effect of borrowing against your home
- You'll think through your borrowing and financing options, besides a HELOC
- You'll see how to shop for your best HELOC offer
- You'll see what to do if the economy or your situation changes

Compare a HELOC to other money sources

Before you decide to take out a HELOC, it might make sense to consider other options that might be available to you, like the ones below.

TIP

Renting your home out to other people may be prohibited under the terms of your line of credit.

MONEY SOURCE	HOW MUCH CAN YOU BORROW	VARIABLE OR FIXED RATE	IS YOUR HOME AT RISK?	TYPICAL ADVANTAGES	TYPICAL DISADVANTAGES
HELOC <i>You borrow against the equity in your home</i>	Generally a percentage of the appraised value of your home, minus the amount you owe on your mortgage	Variable, typically	Yes	Continue repaying and borrowing for several years without additional approvals or paperwork	Repayment amount varies; repayment is often required when you sell your home
SECOND MORTGAGE OR HOME EQUITY LOAN <i>You borrow against the equity in your home</i>	Generally a percentage of the appraised value of your home, minus the amount you owe on your mortgage	Fixed	Yes	Equal payments that pay off the entire loan	If you need more money, you need to apply for a new loan; repayment is often required when you sell your home
CASH-OUT REFINANCE <i>You replace your existing mortgage with a bigger mortgage and take the difference in cash</i>	Generally a percentage of the appraised value of your home; the amount of your existing loan plus the amount you want to cash out	Variable or fixed	Yes	Continue to make just one mortgage payment	Closing costs are generally higher; it may take longer to pay off your mortgage; interest rate may be higher than your current mortgage
PERSONAL LINE OF CREDIT <i>You borrow based on your credit, without using your home as collateral</i>	Up to your credit limit, as determined by the lender	Variable, typically	No	Continue repaying and borrowing for several years without additional approvals or paperwork	Solid credit is required; you may need to pay the entire amount due once a year; higher interest rate than a loan that uses your home as collateral

Compare a HELOC to other money sources

MONEY SOURCE	HOW MUCH CAN YOU BORROW	VARIABLE OR FIXED RATE	IS YOUR HOME AT RISK?	TYPICAL ADVANTAGES	TYPICAL DISADVANTAGES
RETIREMENT PLAN LOAN <i>You borrow from your retirement savings in a 401(k) or similar plan through your current employer</i>	Generally, up to 50% of your vested balance or \$50,000, whichever is less	Fixed	No	Repay through paycheck deductions; paperwork required but no credit check and no impact on your credit score	If you leave or lose your job, repay the whole amount at that time or pay taxes and penalties; spouse may need to consent
HOME EQUITY CONVERSION MORTGAGE (HECM) <i>You must be age 62 or older, and you borrow against the equity in your home</i>	Depends on your age, the interest rate on your loan, and the value of your home	Fixed or variable	Yes	You don't make monthly loan payments—instead, you typically repay the loan when you move out, or your survivors repay it after you die	The amount you owe grows over time; you might not have any value left in your home if you want to leave it to your heirs
CREDIT CARD <i>You borrow money from the credit card company and repay as you go</i>	Up to the amount of your credit limit, as determined by the credit card company	Fixed or variable	No	No minimum purchase; consumer protections in the case of fraud or lost or stolen card	Higher interest rate than a loan that uses your home as collateral
FRIENDS AND FAMILY <i>You borrow money from someone you are close to</i>	Agreed on by the borrower and lender	Variable, fixed or other	No	Reduced waiting time, fees, and paperwork compared to a formal loan	Forgiven loans and unreported or forgiven interest can complicate taxes, especially for large loans; can jeopardize important personal relationships if something goes wrong

How HELOCs work

PREPARE FOR UP-FRONT COSTS

Some lenders waive some or all of the up-front costs for a HELOC. Others may charge fees. For example, you might get charged:

- A fee for a property **appraisal**, which is a formal estimate of the value of your home
- An application fee, which might not be refunded if you are turned down
- Closing costs, including fees for attorneys, title search, mortgage preparation and filing, property and title insurance, and taxes

PULL MONEY FROM YOUR LINE OF CREDIT

Once approved for a HELOC, you can generally spend up to your credit limit whenever you want. When your line of credit is open for spending, you are in the **borrowing period**, also called the **draw period**. Typically, you use special checks or a credit card to draw on your line. Some plans require you to borrow a minimum amount each time (for example, \$300) or keep a minimum amount outstanding. Some plans require you to take an initial amount when the credit line is set up.

MAKE REPAYMENTS DURING THE “DRAW PERIOD”

Some plans set a minimum monthly payment that includes a portion of the **principal** (the amount you borrow) plus accrued interest. The portion of your payment that goes toward principal typically does not repay the principal by the end of the term. Other plans may allow payment of the interest only, during the draw period, which means that you pay nothing toward the principal.

If your plan has a variable interest rate, your monthly payments may change even if you don't draw more money.

ENTER THE “REPAYMENT PERIOD”

Whatever your payment arrangements during the draw period—whether you pay some, a little, or none of the principal amount of the loan—when the draw period ends you enter a repayment period. Your lender may set a schedule so that you repay the full amount, often over ten or 15 years.

Or, you may have to pay the entire balance owed, all at once, which might be a large amount called a **balloon payment**. You must be prepared to make this **balloon payment** by refinancing it with the lender, getting a loan from another lender, or some other means. If you are unable to pay the balloon payment in full, you could lose your home.

RENEW OR CLOSE OUT THE LINE OF CREDIT

At the end of the repayment period, your lender might encourage you to leave the line of credit open. This way you don't have to go through the cost and expense of a new loan, if you expect to borrow again. Be sure you understand if annual maintenance fees or other fees apply, even if you are not actively using the credit line.

TIP

If you sell your home, you are generally required to pay off your HELOC in full immediately. If you are likely to sell your home in the near future, consider whether or not to pay the up-front costs of setting up a line of credit.



GET THREE HELOC ESTIMATES

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

		OFFER A	OFFER B	OFFER C
Initiating the HELOC				
Credit limit	\$			
First transaction	\$			
Minimum transaction	\$			
Minimum balance	\$			
Fixed annual percentage rate	%			
Variable annual percentage rate	%			
» Index used and current value				
» Amount of margin				
» Frequency of rate adjustments				
» Amount/length of discount rate (if any)				
» Interest rate cap and floor				
Length of plan				
» Draw period				
» Repayment period				
Initial fees				
» Appraisal fee	\$			
» Application fee	\$			



GET THREE HELOC ESTIMATES

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

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

My best HELOC offer is: _____

How variable interest rates work

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

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

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

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

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

Rights and responsibilities

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

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

- Annual fees
- Miscellaneous charges

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

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

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

Right to cancel (also called right to rescind)

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

TIP

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

If something changes during the course of the loan

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

- **Talk with your lender.** Find out the reason for the freeze or reduction. You might need to check your credit reports for errors that might have caused a downgrade in your credit. Or, you might need to talk with your lender about a new appraisal on your home and make sure the lender agrees to accept a new appraisal as valid.
- **Shop for another line of credit.** If another lender offers you a line of credit, you may be able to use that to pay off your original line of credit. Application fees and other fees may apply for the new loan.



WELL DONE!

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



In this booklet:

ASK YOURSELF

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

Have I shopped around for HELOC features and fees?

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

ONLINE TOOLS

CFPB website
cfpb.gov

Answers to common questions
cfpb.gov/askcfpb

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

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

Submit a complaint
cfpb.gov/complaint