

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. 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
<p>RETIREMENT PLAN LOAN <i>You borrow from your retirement savings in a 401(k) or similar plan through your current employer</i></p>	<p>Generally, up to 50% of your vested balance or \$50,000, whichever is less</p>	<p>Fixed</p>	<p>No</p>	<p>Repay through paycheck deductions; paperwork required but no credit check and no impact on your credit score</p>	<p>If you leave or lose your job, repay the whole amount at that time or pay taxes and penalties; spouse may need to consent</p>
<p>HOME EQUITY CONVERSION MORTGAGE (HECM) <i>You must be age 62 or older, and you borrow against the equity in your home</i></p>	<p>Depends on your age, the interest rate on your loan, and the value of your home</p>	<p>Fixed or variable</p>	<p>Yes</p>	<p>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</p>	<p>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</p>
<p>CREDIT CARD <i>You borrow money from the credit card company and repay as you go</i></p>	<p>Up to the amount of your credit limit, as determined by the credit card company</p>	<p>Fixed or variable</p>	<p>No</p>	<p>No minimum purchase; consumer protections in the case of fraud or lost or stolen card</p>	<p>Higher interest rate than a loan that uses your home as collateral</p>
<p>FRIENDS AND FAMILY <i>You borrow money from someone you are close to</i></p>	<p>Agreed on by the borrower and lender</p>	<p>Variable, fixed or other</p>	<p>No</p>	<p>Reduced waiting time, fees, and paperwork compared to a formal loan</p>	<p>Forgiven loans and unreported or forgiven interest can complicate taxes, especially for large loans; can jeopardize important personal relationships if something goes wrong</p>

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 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** 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?				

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 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

HOME EQUITY APPLICATION DISCLOSURE

IMPORTANT TERMS OF OUR HOME EQUITY APPLICATION DISCLOSURE

This disclosure contains important information about our HELOC (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
Annual Fee:	\$ 60.00	Annually

**HOME EQUITY APPLICATION DISCLOSURE
(Continued) Page 2**

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 unpaid amount of the payment.

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 between \$0.00 and \$1,500.00. We estimate the breakdown of these as follows:

Description	Amount	When Charged
Flood Determination Fee-Paid By Lender :	\$14.50	At Account Opening
Title Owner's Verification Fee-Paid By Lender :	\$70.00 - \$100.00	At Account Opening
Recording Fee-Paid By Lender :	\$30.00 - \$75.00	At Account Opening
Home Value Estimator Fee-Paid By Lender :	\$18.00	At Account Opening
PCA Inspection Fee-Paid By Lender :	\$40.00-\$50.00	At Account Opening
Credit Report Fee-Paid By Lender :	\$2.80-\$5.60	At Account Opening
Appraisal Fee:	\$180.00-\$1,000.00	At Account Opening
Title Commitment Fee:	\$350.00-\$500.00	At Account Opening
Title Recording Services Fee	\$25.00	At Account Opening

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"). Your Regular Payment will equal the amount of your accrued FINANCE CHARGES. You will make 119 of these payments. You will then be required to pay the entire balance owing in a single balloon payment. If you make only the minimum payments, you may not repay any of the principal balance by the end of this payment stream. Your payments will be due monthly. Your "Minimum Payment" will be the Regular Payment, plus any amount past due and all other charges. An increase in the ANNUAL PERCENTAGE RATE may increase the amount of your Regular Payment.

MINIMUM PAYMENT EXAMPLE. If you made only the minimum payment and took no other credit advances, it would take 10 years to pay off a credit advance of \$10,000.00 at an ANNUAL PERCENTAGE RATE of 6.25%. During that period, you would make 119 monthly payments ranging from \$47.95 to \$53.08 and one final payment of \$10,053.08.

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

Credit Line Home Equity Line of Credit Check, Internet Request and In Person Request Limitations. The following transaction limitations will apply to your Credit Line and the writing of Home Equity Line of Credit Checks, accessing by other methods and requesting an advance in person.

Minimum Advance Amount. The minimum amount of any credit advance that can be made on your Credit Line is \$200.00. This means any Home Equity Line of Credit Check must be written for at least the minimum advance amount.

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), 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 base rate on corporate loans posted by at least 70% of the 10 largest U.S. banks known as the Wall Street Journal U.S. Prime Rate. Information about the Index is available or published in the Wall Street Journal. We will use the most recent Index value available to us as of the date of any annual percentage rate adjustment. If the Index is no longer available, we will choose a new Index and margin. The new Index will have an historical movement substantially similar to the original Index, and the new Index and margin will result in an annual percentage rate that is substantially similar to the rate in effect at the time the original Index becomes unavailable.

THE FLOOR. Your interest rate will never be less than the Floor of 4.000%.

If your initial interest rate is lower than the Floor rate of 4.000% then your rate will increase regardless of market conditions.

ANNUAL PERCENTAGE RATE. To determine the Periodic Rate that will apply to your account, 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**. 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.

FREQUENCY OF ANNUAL PERCENTAGE RATE ADJUSTMENTS. Your ANNUAL PERCENTAGE RATE can change Daily. 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 19.900% per annum at any time during the term of the Plan.

HOME EQUITY APPLICATION DISCLOSURE
(Continued) Page 3

MAXIMUM RATE AND PAYMENT EXAMPLE. If you had an outstanding balance of \$10,000.00, the minimum payment at the maximum ANNUAL PERCENTAGE RATE of 19.900% would be \$169.01. This ANNUAL PERCENTAGE RATE could be reached immediately or prior to the 1st payment.

Initial Annual Percentage Rate Discount. The initial annual percentage rate is "discounted"--it is not based on the Index and margin used for later rate adjustments. The initial discounted rate will be in effect for 120 Payments. **The Discount Percentage is subtracted from the Index plus the margin.**

The discount rate requires an automatic debit arrangement to be established at closing and will require you to maintain a checking account with the Lender from which all periodic payments will be debited. The discount rate is offered in consideration of your agreement that all periodic payments will be paid pursuant to an automatic debit arrangement. If you fail to provide this consideration, unless otherwise required by law, the corresponding ANNUAL PERCENTAGE RATE will, without notice, automatically increase. The Periodic Rate will increase proportionately. If you fail for any reason to make timely payments under this Agreement pursuant to an automatic debit arrangement, the corresponding ANNUAL PERCENTAGE RATE will increase by 0.510%. A change will be effective immediately after the date you fail to meet the conditions of our arrangements with you and will apply to the amount owed on the Credit Line. Such an increase will remain in effect for the remainder of the term of this Agreement.

Please ask us for the current Index value, margin, floor, discount and annual percentage rate. After you open a credit line, rate information will be provided on periodic statements that we send you.

Conversion Option. CONVERSION PROVISIONS

This Agreement contains an option to convert all or a portion of the Credit Line made under this Agreement into a fixed-rate loan repayable in regular fixed payments of principal and interest until a final due date on which any remaining balance will be paid in full (an "Installment Loan"). The following are conversion option provisions:

1. YOUR RIGHT TO CONVERT A LOAN MADE UNDER THE CREDIT AGREEMENT INTO AN INSTALLMENT LOAN.

a. Eligibility. As long as this Agreement remains in effect, and as long as you are not in default under the terms of this Agreement or any Change in Terms Agreement entered into in connection with this Agreement (a "CIT Agreement"), you may convert all or a portion of the Credit Line made under this Agreement into an Installment Loan governed by the terms of this Agreement and a CIT Agreement.

b. Number of times you may exercise your option to convert and conversion limitations. Three times per calendar year prior to the Maturity Date you may convert all or a portion of the Credit Line into an Installment Loan subject, however, to the following limitations: (1) you may not have any more than three (3) Installment Loans outstanding at any one time under this Agreement, and (2) the minimum Election Amount (as defined below) is \$5,000.00.

c. How the terms of the resulting Installment Loan will be determined. You may initiate the process to convert all or a portion of the Credit Line into an Installment Loan by calling us at 1-262-797-3312. When you call, you will tell us the amount that you wish to convert (the "Election Amount"). Based on your request, we will tell you the Installment Loan terms that are then available, including, without limitation, the conversion fee of \$50.00, the applicable ANNUAL PERCENTAGE RATE and other terms of repayment. We will determine the maximum Installment Loan term and the amortization period used to determine the amount of the regular monthly payment under an Installment Loan. The applicable term and amortization for the Installment Loan will depend upon the Election Amount and other underwriting factors determined by us. In no event will the term of an Installment Loan exceed thirty (30) years. The Installment Loan may be a fully amortizing loan. The regular monthly principal and interest payment shall not be less than \$100.00.

d. How you may exercise your option to convert. If you are eligible for a conversion, you request a conversion and you specify an Election Amount that you would like to convert to an Installment Loan, we will prepare a CIT Agreement and will mail it to you. If you accept those terms, you will sign that CIT Agreement and return it to us promptly. The CIT Agreement must be signed by all Borrowers under this Agreement. If we do not receive the fully-signed CIT Agreement from you by the date specified in the CIT Agreement, that CIT Agreement shall not become effective and we will not convert the Election Amount under such CIT Agreement into an Installment Loan.

2. EFFECT OF EXERCISING YOUR INSTALLMENT LOAN ELECTION.

a. Terms of repayment. If we receive the signed CIT Agreement from you by the date specified in the CIT Agreement, repayment of the Election Amount will be governed by the terms of the CIT Agreement and, to the extent applicable, this Agreement. Accordingly, the amount of the Installment Loan may no longer be included in the statement that we provide to you each billing period under this Agreement.

b. Repayment; Effect on your Credit Limit. The Installment Loan will be repayable as a closed-end loan, in accordance with the terms of the CIT Agreement. However, the outstanding balance of the Installment Loan, as it exists from time to time, will be counted against your Credit Limit under this Agreement, and the additional funds that may be available to you under this Agreement will be reduced by that outstanding balance as set forth in the CIT Agreement.

c. Security interest; Parties obligated to repay. Your obligations under the Installment Loan will be secured by any and all mortgages or other security interests you may provide to secure repayment of the Credit Line and by such additional security interest you may provide in connection with the Installment Loan. You agree that the conversion of all or a portion of the Credit Line to an Installment Loan will modify the manner in which the amount is repaid, but will not relieve any party to this Agreement of his or her obligation to repay the amounts advanced under this Agreement together with interest thereon whether or not converted. Each party who is obligated to repay the Credit Line will be obligated to repay the Installment Loan resulting from the conversion of all or a portion of the Credit Line under the terms of this Agreement.

3. MISCELLANEOUS PROVISIONS APPLICABLE TO THE INSTALLMENT LOAN.

a. Prepayment without penalty. You may prepay the Installment Loan at any time without penalty.

HOME EQUITY APPLICATION DISCLOSURE
(Continued) Page 4

- b. Covenant not to Impair your ability to repay.** You agree not to take any action or permit any event to occur that materially impairs your ability to pay any amount due under the Installment Loan. Events of default under the Installment Loan shall include, but are not limited to, the death of you, your spouse, or any surety or guarantor of the Installment Loan; a change in the marital status of you, your spouse, or any surety or guarantor of the Installment Loan; or the commencement of a bankruptcy or insolvency proceeding of which you, your spouse, or any surety or guarantor of the Installment Loan is the subject.
- c. Charge for returned checks.** I agree to pay a charge of \$35.00 for each check presented to you for payment on the Installment Loan which is returned unsatisfied. This charge may be changed from time-to-time by you, and you agree to provide me with a revised schedule of charges if any change is made.
- d. Renewals, extensions and modifications.** We may, without notice, grant renewals or extensions, accept partial payments, release or impair any security for the Installment Loan or agree not to sue any party liable on it, without affecting your liability or the ability of any surety or guarantor of the Installment Loan or any Loan made under this Agreement.
- e. Final Agreement; Amendments.** This Agreement, the CIT Agreement, and the documents securing this Agreement and the CIT Agreement are intended to be the final expression of the Installment Loan and a complete and exclusive statement of its terms, and may be amended only in writing signed by us and accepted by you.
- f. ANNUAL PERCENTAGE RATE Increase.** Your ANNUAL PERCENTAGE RATE may increase if you exercise this option to convert to a fixed rate.
- g. Conversion Periods.** You can exercise the option to convert to a fixed rate only as long as this Agreement remains in effect, and as long as you are not in default under the terms of this Agreement or any CIT Agreement entered into in connection with this Agreement. You may convert all or a portion of the Credit Line into an Installment Loan governed by the terms of this Agreement and a CIT Agreement entered into in accordance with this Agreement.

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: for as long as this Agreement remains in effect, and as long as you are not in default under the terms of this Agreement or any CIT Agreement entered into in connection with this Agreement. You may convert all or a portion of the Credit Line into an Installment Loan governed by the terms of this Agreement and a CIT Agreement entered into in accordance with this Agreement.

Rate Determination. The fixed rate will be determined as follows: See Conversion Provisions above.

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

PREPAYMENT. \$350.00 if your credit line is \$17,500.00 or greater and this Agreement is terminated by you within three (3) years of the date of this Agreement. You may have to pay a prepayment penalty fee of \$200.00 if your credit line is \$17,499.00 or less and this Agreement is terminated by you within three (3) years of the date of this Agreement. This prepayment penalty fee may include a reimbursement to Lender for bona fide third-party costs incurred by the Lender in providing the Credit Line to you.

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 for the past 15 years. The Index values are from the following reference period: as of the third Tuesday in September. 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.

**HOME EQUITY APPLICATION DISCLOSURE
(Continued) Page 5**

INDEX TABLE

Year (as of the third Tuesday In September)	Index (Percent)	Margin (1) (Percent)	ANNUAL PERCENTAGE RATE (2)	Monthly Payment (Dollars)
2009.....	3.250.....	2.000	4.740	40.26
2010.....	3.250.....	2.000	4.740	40.26
2011.....	3.250.....	2.000	4.740	40.26
2012.....	3.250.....	2.000	4.740	40.26
2013.....	3.250.....	2.000	4.740	40.26
2014.....	3.250.....	2.000	4.740	40.26
2015.....	3.250.....	2.000	4.740	40.26
2016.....	3.500.....	2.000	4.990	42.38
2017.....	4.250.....	2.000	5.740	48.75
2018.....	5.000.....	2.000	6.490	55.12
2019.....	5.250.....	1.000	5.740	
2020.....	3.250.....	1.000	4.000	
2021.....	3.250.....	1.000	4.000	
2022.....	5.500.....	1.000	5.990	
2023.....	8.500.....	1.000	8.990	

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

(2) The ANNUAL PERCENTAGE RATE reflects a rate floor and a rate discount that we have provided recently; your Plan may be discounted by a different amount. Under the Plan, the rate caps are tied to the initial discounted annual percentage rate. As a result, under certain interest rate circumstances, conflicts may occur when applying both a rate cap and a discount. In these situations, the values in the Index Table reflect the application of the discount after determination of the rate cap.

The loan has a floor rate of 4.00%. Regardless of changes to the index or margin, your loan rate will never be less than 4.00%.

INSURANCE DISCLOSURE FOR CREDIT APPLICATION

Purpose:

You have submitted an application for a loan. In connection with your loan application, Lender may be soliciting, offering to sell, or will sell you an insurance product or annuity. Federal law requires Lender to provide you with the following disclosures.

Credit Disclosures:

1. Lender, as a condition of granting you a loan, cannot require that you purchase an insurance product or annuity from Lender or any of its affiliates.
2. Lender, as a condition of granting you a loan, cannot require your agreement not to obtain or prohibit you from obtaining an insurance product or annuity from an unaffiliated entity.

VALUATION DELIVERY NOTICE

We may order an appraisal or other valuation 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.

Once your valuation has been received, you have the ability to request a reconsideration of value. In order to request a reconsideration of value, please contact your loan officer.

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