

Home Equity Line of Credit

Thank you for your interest in a Home Equity Line of Credit from Southland Credit Union. A Home Equity Line of Credit (HELOC) is secured by a Deed of Trust on 1 to 4 family homes within California, and must be in first or second position on the property. Southland's HELOC offers a variety of convenient features, and the interest on your loan may be tax deductible¹.

Home Equity Line of Credit Features:

- No origination fees or points
- Variable interest rate
- Borrow up to 90% of the appraised value (owner occupied only), less the balance of your first mortgage, if any.
- Credit lines available up to \$500,000, minimum line amount \$20,000.
- 10 year draw period with interest only minimum payments
- Convenient access to your funds with a HELOC Access Card and/or HELOC checks
- 15 year fully amortizing repayment after the draw period
- One time fixed rate option (only available after 3 years)

Please submit the required documentation listed below:

- A photocopy of your two (2) most recent pay stubs. **If you are self-employed**, complete and **signed** copies of your two (2) most recent federal tax returns with all schedules attached is required.
- A photocopy of your award letter from Social Security, **if you are receiving income from Social Security**.
- A photocopy of your Fire Insurance Policy or Homeowner's Association declaration page. The maximum deductible allowed is \$2,500.00.
- A photocopy of your most recent mortgage statement, if applicable
- A photocopy of the Note on your 1st Mortgage (needed to verify the terms of existing mortgage)
- A photocopy of your complete Trust agreement, if property is vested in a trust.

Please sign/complete and return the following:

- Information Disclosure
- Statement of Information
- Fire Insurance Notice
- Holden Fair Lending
- Home Equity Application

These documents may be **faxed to (866) 630-5792**

Receipt of these documents will expedite your loan decision and funding.

For assistance with your application, contact our Member Service Center at (800) 426-1917

All loans are subject to credit approval.

¹Mortgage interest tax deduction may be subject to income restrictions. Consult a licensed tax advisor regarding your ability to take this deduction.

APPLICATION



P.O. Box 3003
 Los Alamitos, CA 90720-1303
 800.426.1917 • fax 866.630.5792
 www.SouthlandCU.org
 NMLSR ID # 685526

Home Loans

LOAN ORIGINATOR NAME AND NMLSR ID #

ACCOUNT NO.	TOTAL AMOUNT REQUESTED \$	PURPOSE
APPLYING FOR Variable Rate Home Equity Line-of-Credit Refinance of a Loan at _____ <div style="text-align: right;">(NAME OF CURRENT LENDER)</div> <div style="text-align: right;">\$ _____</div> <div style="display: flex; justify-content: space-between;"> <div>(SUBJECT PROPERTY ADDRESS)</div> <div>(ESTIMATED VALUE OF PROPERTY)</div> </div>		

CHECK TYPE OF CREDIT REQUESTED

- Individual Credit:** Complete **Applicant** sections if only the applicant's income is considered for loan approval.
 Complete **Applicant/Non-Applciant Spouse/Co-Applciant** sections (1) if your co-applicant's income is also considered for loan approval; (2) if you reside in a Community Property State; (3) if you are relying on property located in a Community Property State as a basis for repayment of the credit requested; or (4) if you are an Alaska resident subject to a community property agreement or community property trust. Community Property States include: AZ, CA, ID, LA, NM, NV, TX, WA, and WI.
- Joint Credit:** Complete **Applicant/Non-Applciant Spouse/Co-Applciant** sections if your co-applicant will be contractually liable for repayment of the loan and initial below:
 We intend to apply for joint credit. _____ (Applicant Initials) _____ (Co-Applciant Initials)

Please also review the section entitled "DEMOGRAPHIC INFORMATION OF APPLICANT AND CO-APPLICANT".

MARITAL STATUS: CHECK ONE if you reside in or are relying on property in a community property state or if you are applying for secured credit or a joint account.

MARRIED (includes registered domestic partners)

SEPARATED

UNMARRIED

INFORMATION REGARDING APPLICANT

NAME (LAST-FIRST-INITIAL)		SOCIAL SECURITY NO.	
ADDRESS		YRS.	MOS.
CITY	STATE	ZIP	E-MAIL
DATE OF BIRTH	HOME PHONE NO.	DRIVER'S LICENSE NO.	STATE

INFORMATION REGARDING
NON-APPLICANT SPOUSE

CO-APPLICANT

NAME (LAST-FIRST-INITIAL)		SOCIAL SECURITY NO.	
ADDRESS		YRS.	MOS. RENT OWN
CITY	STATE	ZIP	E-MAIL
DATE OF BIRTH	HOME PHONE NO.	DRIVER'S LICENSE NO.	STATE

APPLICANT EMPLOYMENT

EMPLOYER		PHONE NO.	
ADDRESS		CITY	STATE ZIP
DATE EMPLOYED	GROSS SALARY \$	MONTHLY YEARLY	BI-WEEKLY WEEKLY

NON-APPLICANT SPOUSE/CO-APPLICANT'S EMPLOYMENT

EMPLOYER		PHONE NO.	
ADDRESS		CITY	STATE ZIP
DATE EMPLOYED	GROSS SALARY \$	MONTHLY YEARLY	BI-WEEKLY WEEKLY

APPLICANT'S OTHER INCOME

YOU NEED NOT LIST INCOME FROM ALIMONY, CHILD SUPPORT, OR SEPARATE MAINTENANCE UNLESS YOU WISH IT CONSIDERED FOR PURPOSES OF GRANTING THIS CREDIT.

TYPES OF OTHER INCOME	MONTHLY AMOUNT
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NON-APPLICANT SPOUSE/CO-APPLICANT'S OTHER INCOME

TYPES OF OTHER INCOME	MONTHLY AMOUNT
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		LIST ALL EXISTING DEBTS OF APPLICANT (and Co-Applicant or Non-Applicant Spouse/Other if applicable)				
Applicant	Co-Applicant	Name and Address of Creditor	Purpose or Account No.	Original Amount	Present Balance	Monthly Payment
				Home Mortgage or LandLord		\$
		Credit Union		\$	\$	\$
		Credit Card		\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
		Automobile Loan	Automobile Make, Model and Year		\$	\$
		Automobile Loan	Automobile Make, Model and Year		\$	\$
		List Alimony, Child Support or Child Care Paid Monthly				\$
Do Not Omit Any Debts! If More Space is Needed, Use Page 3 or Separate Sheet. Incomplete Applications Cannot Be Processed.					Total Monthly Obligations \$	
If you Answer "Yes" to Any of These Questions, Provide Details on Separate Sheet.						
Are any of your debts past due? Yes No		Have you ever had your Auto, Furniture or Property repossessed? Yes No		Have you or your Co-Applicant ever declared bankruptcy? Yes No		Are you currently a Co-Maker, Endorser or Guarantor on a loan? Yes No

LOAN APPLICATION SIGNATURES	
<p>Please Read Before Signing:</p> <p>All the information in this application is true. I understand that section 1014 Title 18 U.S. Code makes it a crime to knowingly make a false statement on this application. You have my permission to verify any information contained in this application from any source named in this application. You may retain this application even if not approved. I understand that you may receive information from others about my credit history and you may answer questions and requests from others seeking credit or experience information about me or my accounts with you. If this application is approved, I agree to honor the provisions of the Home Equity Credit Line Agreement and Truth-in-Lending Disclosure Statement covering my loan. (If this application is for two of us, this statement applies to both of us.)</p> <p>I acknowledge receipt of a copy of the HomeEquity Credit Plan Predisclosures and Handbook entitled "What You Should Know About Home Equity Lines of Credit."</p> <p>Consumer and Credit Report Authorization. By signing this Application, I authorize you to obtain my consumer and/or credit report for the purposes of evaluating this application and to obtain subsequent credit reports on an on-going basis in connection with this transaction, and for all other legitimate purposes, such as reviewing my accounts or taking collection action on the account. I authorize you to receive and review other information about me, such as my employment and income information, from third-parties or consumer reporting agencies.</p> <p>Permission to contact: By providing a wireless telephone number (i.e., cell phone), I consent to receiving calls, including autodialed and prerecorded message calls, from the credit union or its third party debt collector at that number.</p> <p>IMPORTANT NOTICE 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 me: When I open an account, you will ask for my name, address, date of birth, and other information that will allow you to identify me. You may also ask to see my driver's license or other identifying information.</p>	
<div> Applicant's Signature Date </div> <div> X </div>	<div> Non-Applicant Spouse/Co-Applicant's Signature, if applicable Date </div> <div> X </div>
<p align="center">Have you omitted anything? Remember: Incomplete applications cannot be processed.</p> <p align="center">PLEASE ATTACH COPY OF CURRENT PAYCHECK STUBS OR OTHER PROOF OF INCOME.</p>	

DEMOGRAPHIC INFORMATION OF APPLICANT AND CO-APPLICANT.

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, race, and sex) 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, race, and sex on the basis of visual observation or surname. If you do not wish to provide some or all of this information, please check below.

Applicant:**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

Race: Check one or moreAmerican 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

Sex: Female Male

I do not wish to provide this information

Co-Applicant:**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

Race: Check one or moreAmerican 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

Sex: Female Male

I do not wish to provide this information

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

Was the ethnicity of the applicant collected on the basis of visual observation or surname? Yes No

Was the race of the applicant collected on the basis of visual observation or surname? Yes No

Was the sex of the applicant collected on the basis of visual observation or surname? Yes No

Was the ethnicity of the co-applicant collected on the basis of visual observation or surname? Yes No

Was the race of the co-applicant collected on the basis of visual observation or surname? Yes No

Was the sex of the co-applicant collected on the basis of visual observation or surname? Yes No

**FIDELITY NATIONAL TITLE COMPANY
STATEMENT OF INFORMATION**

CONFIDENTIAL

NOTE: THIS FORM IS NEEDED IN ORDER TO ELIMINATE JUDGMENTS AND LIENS AGAINST PEOPLE WITH SIMILAR NAMES

THE STREET ADDRESS of the property in this transaction is: (IF NONE LEAVE BLANK)

ADDRESS _____ CITY _____

1. IMPROVEMENTS: ☐ SINGLE RESIDENCE ☐ MULTIPLE RESIDENCE ☐ COMMERCIAL

2. OCCUPIED BY: ☐ OWNER ☐ TENANTS 3. ANY CONSTRUCTION WITHIN THE LAST 6 MONTHS? ☐ YES ☐ NO

4. IF YES to No. 3, STATE NATURE OF WORK DONE: _____

PARTY 1

PARTY 2

FIRST _____ MIDDLE _____ LAST _____

FIRST _____ MIDDLE _____ LAST _____

FORMER LAST NAME(S), IF ANY _____

FORMER LAST NAME(S), IF ANY _____

BIRTHPLACE _____ BIRTH DATE _____

BIRTHPLACE _____ BIRTH DATE _____

SOCIAL SECURITY NUMBER _____ DRIVER'S LICENSE NO. _____

SOCIAL SECURITY NUMBER _____ DRIVER'S LICENSE NO. _____

☐ SINGLE ☐ MARRIED ☐ I HAVE A **REGISTERED** DOMESTIC PARTNER

☐ SINGLE ☐ MARRIED ☐ I HAVE A **REGISTERED** DOMESTIC PARTNER

CURRENT SPOUSE OR REGISTERED DOM. PARTNER (Other than Party 2):

CURRENT SPOUSE OR REGISTERED DOM. PARTNER (Other than Party 1):

Name: _____

Name: _____

FORMER SPOUSE / REGISTERED DOM. PARTNER:

FORMER SPOUSE / REGISTERED DOM. PARTNER:

Name: _____

Name: _____

MARRIAGE OR REGISTERED DOMESTIC PARTNERSHIP BETWEEN PARTIES 1 AND 2

MARRIED? _____ REGISTERED DOM. PARTNERS? _____ DATE OF MARRIAGE/REG. DOM. PARTNERSHIP: _____

PARTY 1 - OCCUPATIONS FOR LAST 10 YEARS

PRESENT OCCUPATION FIRM NAME ADDRESS NO. OF YEARS

PRIOR OCCUPATION FIRM NAME ADDRESS NO. OF YEARS

PARTY 1 - RESIDENCES FOR LAST 10 YEARS

NUMBER AND STREET CITY and STATE FROM TO

PARTY 2 - OCCUPATIONS FOR LAST 10 YEARS

PRESENT OCCUPATION FIRM NAME ADDRESS NO. OF YEARS

PRIOR OCCUPATION FIRM NAME ADDRESS NO. OF YEARS

PARTY 2 - RESIDENCES FOR LAST 10 YEARS (If same as Party 1, write "same")

NUMBER AND STREET CITY and STATE FROM TO

It is necessary to fill out this form completely, as the information contained herein will assist us to process your escrow more accurately and avoid timely delays. The growing population of California has greatly affected the processing of real estate transactions, in that there are many people with names that are the same or similar to your own. When the title company searches the title of the property in this escrow, they want to make sure that there are no judgments, bankruptcies, income tax liens or any other situation that may effect your or the property. The information on this form allows them to reject all matters that do not affect you.

X _____
Party 1 Signature

X _____
Party 2 Signature

Date _____

INFORMATION DISCLOSURE AUTHORIZATION

To Whom It May Concern:

I/we hereby authorize you to release to Southland Credit Union for verification purposes, information concerning:

- Employment history, dates, title, income, hours worked, etc.
- Banking and Savings Accounts of record.
- Mortgage Loan rating (opening date, high credit, payment amount, loan balance, and payment record.)
- Any other information deemed necessary in connection with a consumer credit report for a real estate transaction.

This information is for the confidential use in compiling a mortgage loan credit report for a VA/FHA or a conventional home loan lender.

A photographic or carbon copy of this authorization (being a photographic or carbon copy of the signature (s) of the undersigned) may be deemed to be the equivalent of the original and may be used as a duplicate original.

Your prompt reply will help expedite my real estate transaction.

Thank You,

Signature

Print Name

Social Security Number

Signature

Print Name

Social Security Number





P.O. Box 3003 • Los Alamitos, CA 90720-1303
800.426.1917 • fax 866.630.5792
www.SouthlandCU.org

HOLDEN ACT FAIR LENDING NOTICE

It is illegal to discriminate in the provision of or in the availability of financial assistance because of the consideration of:

1. Trends, characteristics or conditions in the neighborhood or geographic area surrounding a housing accommodation, unless the financial institution can demonstrate that consideration of these conditions in the particular case is required to avoid an unsafe and unsound business practice; or
2. Race, color, religion, sex, marital status, national origin or ancestry.

It is illegal to consider the racial, ethnic, religious or national origin composition of a neighborhood or geographic area surrounding a housing accommodation or whether or not such composition is undergoing change, or is expected to undergo change, in appraising a housing accommodation or in determining whether or not, or under what terms and conditions, to provide financial assistance.

These provisions govern financial assistance for the purpose of the purchase, construction, rehabilitation or refinancing of one-to-four unit family residences occupied by the owner, and for the purpose of the home improvement of any one-to-four unit family residence.

If you have any questions about your rights, or if you wish to file a complaint, contact the management of this financial institution or the:

DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION

**2101 Arena Boulevard
Sacramento, CA 95834**

ACKNOWLEDGEMENT OF RECEIPT

I (We) received a copy of this notice.

Signature of Applicant

Date

Signature of Applicant

Date



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When real estate collateral is used for a Credit Union loan, the Credit Union requires proof of the following:

- Fire and Extended Coverage Insurance for the entire term of the Deed of Trust
- A copy of the insurance policy, together with a "Lender's Loss Payable Endorsement" (#438 BFU) or "Mortgage Clause Endorsement" (#372) in favor of:

Southland Credit Union
P.O. Box 3003
Los Alamitos, California 90720-1303

It is important that the insurance requirements are complied with and that evidence of the insurance coverage is forwarded to the Credit Union as soon as possible. Copies of renewal policies must also be sent to the Credit Union.

Thank you in advance as your cooperation is sincerely appreciated.

I agree to comply with the insurance requirements by furnishing Southland Credit Union with copies of the fire and extended coverage insurance policy on the property commonly known as:

The Credit Union does not assume responsibility or liability in notifying a member regarding any insurance renewal or cancellation notice.

Please sign and return this form to the Credit Union.

Borrower's Signature

Date

Borrower's Name (print)

Member Number

Co-Borrower's Signature

Date

Co-Borrower's Name (print)

Member Number



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**RIGHT TO RECEIVE
A COPY OF APPRAISALS**

NAME	DATE	ACCOUNT NUMBER

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.



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Credit Plan Predisclosure

IMPORTANTTERMS OF OUR HOME EQUITY LINE OF CREDIT

This disclosure contains important information about your Home Equity Open-End Credit Plan. 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 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 Mortgage on your home. You could lose your home if you do not meet the obligations in your agreement with us.

Possible Actions:

Termination and Acceleration

We can terminate the Home Equity Open-End Credit Plan and require you to pay us the entire outstanding balance in one payment and charge you certain fees if:

- (a) you commit fraud or material misrepresentation at any time in connection with this Plan;
- (b) you do not meet the repayment terms of this Plan;
- (c) your action or inaction adversely affects the collateral for the Plan or our rights in the collateral.

Suspension or Reduction

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

- (a) the value of your dwelling declines significantly below its appraised value for purposes of this Plan;
- (b) we reasonably believe that you will not be able to meet the repayment requirements due to a material change in your financial circumstances;
- (c) you are in default of a material obligation of this Plan;
- (d) government action prevents us from imposing the **ANNUAL PERCENTAGE RATE** provided for under this Plan or impairs our security interest such that the value of the interest is less than 120 percent of the credit line;
- (e) a regulatory agency has notified us that continued advances would constitute an unsafe and unsound practice;
- (f) the maximum **ANNUAL PERCENTAGE RATE** under this Plan is reached.

Change in Terms

Our home equity credit agreement permits us to make certain changes to the terms of this Plan at specified times or upon the occurrence of specified events.

Minimum Payment Requirements: You can obtain credit advances for 10 years (the "draw period"). During the draw period, payments will be due monthly. Your minimum monthly payment will equal the amount of accrued interest.

After the draw period ends, you will no longer be able to obtain credit advances and must pay the outstanding balance on your account (the "repayment period"). The length of the repayment period is 15 years. During the repayment period, payments will be due monthly. Your minimum monthly payment will equal an amount sufficient to repay your outstanding balance in 180 substantially equal monthly installments with a minimum of \$100.00. During the repayment period, any increase or decrease in the **ANNUAL PERCENTAGE RATE** will result in an increase or decrease in the amount of your minimum monthly payment.

The minimum monthly payment will also include, as applicable, any amounts due for optional products such as credit insurance or debt protection; any amounts for which you have exceeded your credit limit and corresponding over-the-limit fees; any amounts past due and corresponding late fees; and any other amounts due for any other charges incurred.

Balloon Payment: The minimum payment may not reduce the principal that is outstanding on your line by the final payment date. You will then be required to pay the entire balance in a single "balloon" payment. You will also be required to immediately pay the entire balance in a balloon payment if you terminate your Plan. Unless otherwise required by applicable law, we are under no obligation to refinance the balloon payment at that time. You may be required to make payments out of other assets you own or find a lender, which may be us, willing to lend you money. If you refinance the balloon, you may have to pay some or all of the closing costs normally associated with a new loan.

Term Out Option: The Term Out Option allows you to convert all of your outstanding balance to a fixed rate. It is available only after the Plan has been open for three years. You may elect this option once during the draw period; it is not available during the repayment period. The fixed rate will be the rate in effect for our 15 year Home Equity loan that you qualify for at the time the term out option is elected. Once the term out option has been elected, the draw period will end, you will no longer be able to obtain credit advances, and your loan will begin the repayment period. Your minimum monthly payment will equal an amortized payment of the loan account balance or \$100.00 whichever is greater. This balance will be amortized over 180 months.

Minimum Payment Examples: If you made only the minimum monthly payment and took no other credit advances, it would take 20 years and 6 months to pay off a credit advance of \$10,000 at an **ANNUAL PERCENTAGE RATE** of 4.50%. During that period, you would make 120 monthly payment(s) of \$37.50 followed by 125 monthly payments of \$100.00, with a final payment of \$56.96.

Fees and Charges: In order to open and maintain an account, you must pay certain fees and charges. The following fees must be paid to us:

- Reconveyance Fee: \$ 45.00
- Application Fee: \$
- Annual Fee: \$50.00 (Waived with a minimum \$10,000 outstanding for 30 days during the year)
- Late Fee: 5% of each delinquent payment, minimum \$25.00, assessed on the 16th day of delinquency.
- Points: 1% of Line Amount for Investment Property only.
- Transaction Fee for Subsequent Advances:
- Mutual Modification (Processing) Fee: Up to \$1,000.00
- Demand Fee: \$ 30.00
- Other (specify): \$

The Mutual Modification Fee is payable at the time of a mutual modification of the Note.

Good Faith Estimate of Third party Fees and Charges: A Good Faith Estimate of Fees that may be imposed by such third parties is as follows:

Appraisal Fees (Single Family):	\$ 20.00	to	1,000.00	(e)
Recording Fees:	\$ 103.00	to	575.00	(e)
Credit Report Fees:	\$ N/A	to	N/A	(e)
Title Insurance Fees:	\$ 65.00	to	2,258.00	(e)
Processing Fees:	\$	to		(e)
Flood Certification Fee:	\$ 14.00	to	25.00	(e)
Other (specify):	\$	to		(e)

An (e) means that the charge is an estimate.

Property Insurance: You must carry insurance on the property that secures this Plan. If the property is located in a Special Flood Hazard Area we will require you to obtain flood insurance if it is available.

Access to the Plan: You may obtain advances under your plan by mail, by telephone, in person, by Visa credit card, or by check.

Transaction Requirements: There is no minimum requirement for initial advances or subsequent advances.

Tax Deductibility: You should consult a tax advisor regarding the deductibility of interest and charges for this Plan.

Refundability of Fees: If you decide not to enter into this Plan within three business days of receiving this disclosure and the handbook entitled "What You Should Know About Home Equity Lines of Credit," you are entitled to a refund of any fees you may have already paid.

Variable Rate Feature: This Plan has a variable rate and the **ANNUAL PERCENTAGE RATE** and corresponding periodic rate and minimum payment can change as a result. The **ANNUAL PERCENTAGE RATE** does not include costs other than interest.

The **ANNUAL PERCENTAGE RATE** is based on the value of an index. The index is the highest rate of interest identified as the 'Prime Rate' in the 'Money Rates' section of the Wall Street Journal. To determine the **ANNUAL PERCENTAGE RATE** that will apply to your account, we add a margin based on your creditworthiness to the value of the index.

Ask us for the current index value, margins and **ANNUAL PERCENTAGE RATES**. After you open an account, rate information will be provided on periodic statements that we send you.

Rate Changes: The annual percentage rate can change monthly on the first of each month. The rate cannot increase by more than 5 percentage points in any one year period. The maximum **ANNUAL PERCENTAGE RATE** that can apply is 15%. The **ANNUAL PERCENTAGE RATE** will not fall below 3.50% during the Plan.

Maximum Rate and Payment Example: If you had an outstanding balance of \$10,000 at the beginning of the draw period, the minimum monthly payment at the maximum **ANNUAL PERCENTAGE RATE** of 15% would be \$125.00. The maximum annual percentage rate during the draw period, could be reached in the 25th month (2 years, 1 month) following an initial hold of 1 month. If you had an outstanding balance of \$10,000 at the beginning of the repayment period, the minimum monthly payment at the maximum **ANNUAL PERCENTAGE RATE** of 15% would be \$139.96. The maximum annual percentage rate during the repayment period, could be reached in the 37th month (3 years, 1 month).

Prepayment: Payment in full shall not terminate this agreement or cancel the security instrument securing this Plan unless you specifically request that we do so. The following applies with regard to prepayment:

Early Termination Fee; Lien: If you pay your line in full and close the Plan within 36 months of the date you opened the Plan, you will have to pay an Early Termination fee of \$500.00. We may take this fee from your savings or checking account or you may pay this fee in any other manner acceptable to us. The Early Termination Fee shall be secured by the Deed of Trust securing this Plan, and Southland Credit Union's Lien against the Property shall not be satisfied, nor the Deed of Trust released, until the Fee is paid in full. Additionally, the Fee will be added to the payoff amount (including the beneficiary's demand) and must be paid prior to the issuance of any reconveyance.

Historical Example: The following table shows how the percentage rate and the minimum payments for a single \$10,000 credit advance would have changed based on changes in the index over the past 15 years. The index values are from the first Monday in April. If the first Monday is a holiday then the index values are from the first business day following that Monday.

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 payments would change in the future.

YEAR	INDEX (%)	MARGIN (1) (Percent)	ANNUAL PERCENTAGE RATE	MONTHLY PAYMENT (Dollars)
2006	7.75	1.25	9.00	\$75.00
2007	8.25	1.25	9.50	\$79.17
2008	5.25	1.25	6.50	\$54.17
2009	3.25	1.25	4.50	\$37.50
2010	3.25	1.25	4.50	\$37.50
2011	3.25	1.25	4.50	\$37.50
2012	3.25	1.25	4.50	\$37.50
2013	3.25	1.25	4.50	\$37.50
2014	3.25	1.25	4.50	\$37.50
2015	3.25	1.25	4.50	\$37.50
2016 (2)	3.50	1.25	4.75	\$100.00
2017	4.00	1.25	5.25	\$100.00
2018	4.75	1.25	6.00	\$100.00
2019	5.50	1.25	6.75	\$100.00
2020	3.25	1.25	4.50	\$100.00

1. This is a margin we have used recently; your margin may be different, and based on your creditworthiness.
2. The repayment period begins in this year.

What you should know about home equity lines of credit



Consumer Financial
Protection Bureau

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

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1. Introduction

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

1.1 Home equity plan checklist

Ask your lender to help you fill out this worksheet.

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

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

2. What is a home equity line of credit?

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

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

Appraised value of home	\$100,000
Percentage	x 75%
Percentage of appraised value	= \$75,000
Less balance owed on mortgage	– \$40,000
Potential line of credit	\$35,000

In determining your actual credit limit, the lender will also consider your ability to repay the loan (principal and interest) by looking at your income, debts, and other financial obligations as well as your credit history.

Many home equity plans set a fixed period during which you can borrow money, such as 10 years. At the end of this “draw period,” you may be allowed to renew the credit line. If your plan

does not allow renewals, you will not be able to borrow additional money once the period has ended. Some plans may call for payment in full of any outstanding balance at the end of the period. Others may allow repayment over a fixed period (the “repayment period”), for example, 10 years.

Once approved for a home equity line of credit, you will most likely be able to borrow up to your credit limit whenever you want. Typically, you will use special checks to draw on your line. Under some plans, borrowers can use a credit card or other means to draw on the line.

There may be other limitations on how you use the line. Some plans may require you to borrow a minimum amount each time you draw on the line (for example, \$300) or keep a minimum amount outstanding. Some plans may also require that you take an initial advance when the line is set up.

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

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

2.1.1 Variable interest rates

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

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

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

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

2.2 Costs of establishing and maintaining a home equity line

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

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

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

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

2.3 How will you repay your home equity plan?

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

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

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

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

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

2.4 Line of credit vs. traditional second mortgage loans

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

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

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

2.4.1 Disclosures from lenders

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

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

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

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

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

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

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

APPENDIX A:

Defined terms

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

DEFINED TERM	
ANNUAL MEMBERSHIP OR MAINTENANCE FEE	An annual charge for access to a financial product such as a line of credit, credit card, or account. The fee is charged regardless of whether or not the product is used.
ANNUAL PERCENTAGE RATE (APR)	The cost of credit, expressed as a yearly rate. For closed-end credit, such as car loans or mortgages, the APR includes the interest rate, points, broker fees, and other credit charges that the borrower is required to pay. An APR, or an equivalent rate, is not used in leasing agreements.
APPLICATION FEE	Fees charged when you apply for a loan or other credit. These fees may include charges for property appraisal and a credit report.
BALLOON PAYMENT	A large extra payment that may be charged at the end of a mortgage loan or lease.
CAP (INTEREST RATE)	A limit on the amount that your interest rate can increase. Two types of interest-rate caps exist. <i>Periodic adjustment caps</i> limit the interest-rate increase from one adjustment period to the next. <i>Lifetime caps</i> limit the interest-rate increase over the life of the loan. By law, all adjustable-rate mortgages have an overall cap.

**CLOSING OR
SETTLEMENT COSTS**

Fees paid when you close (or settle) on a loan. These fees may include application fees; title examination, abstract of title, title insurance, and property survey fees; fees for preparing deeds, mortgages, and settlement documents; attorneys' fees; recording fees; estimated costs of taxes and insurance; and notary, appraisal, and credit report fees. Under the Real Estate Settlement Procedures Act, the borrower receives a good faith estimate of closing costs within three days of application. The good faith estimate lists each expected cost as an amount or a range.

CREDIT LIMIT

The maximum amount that may be borrowed on a credit card or under a home equity line of credit plan.

EQUITY

The difference between the fair market value of the home and the outstanding balance on your mortgage plus any outstanding home equity loans.

INDEX

The economic indicator used to calculate interest-rate adjustments for adjustable-rate mortgages or other adjustable-rate loans. The index rate can increase or decrease at any time. See also Selected index rates for ARMs over an 11-year period (consumerfinance.gov/f/201204_CFPB_ARMs-brochure.pdf) for examples of common indexes that have changed in the past.

INTEREST RATE

The percentage rate used to determine the cost of borrowing money, stated usually as a percentage of the principal loan amount and as an annual rate.

MARGIN

The number of percentage points the lender adds to the index rate to calculate the adjustable-rate-mortgage interest rate at each adjustment.

MINIMUM PAYMENT

The lowest amount that you must pay (usually monthly) to keep your account in good standing. Under some plans, the minimum payment may cover interest only; under others, it may include both principal and interest.

**POINTS (ALSO
CALLED DISCOUNT
POINTS)**

One point is equal to 1 percent of the principal amount of a mortgage loan. For example, if a mortgage is \$200,000, one point equals \$2,000. Lenders frequently charge points in both fixed-rate and adjustable-rate mortgages to cover loan origination costs or to provide additional compensation to the lender or broker. These points usually are paid at closing and may be paid by the borrower or the home seller, or may be split between them. In some cases, the money needed to pay points can be borrowed (incorporated in the loan amount), but doing so will increase the loan amount and the total costs. Discount points (also called discount fees) are points that you voluntarily choose to pay in return for a lower interest rate.

SECURITY INTEREST

If stated in your credit agreement, a creditor, lessor, or assignee's legal right to your property (such as your home, stocks, or bonds) that secures payment of your obligation under the credit agreement. The property that secures payment of your obligation is referred to as "collateral."

TRANSACTION FEE

Fee charged each time a withdrawal or other specified transaction is made on a line of credit, such as a balance transfer fee or a cash advance fee.

VARIABLE RATE

An interest rate that changes periodically in relation to an index, such as the prime rate. Payments may increase or decrease accordingly.

APPENDIX B:

More information

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

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

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

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

APPENDIX C:

Contact information

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

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

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

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

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