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**IMPORTANT TERMS OF OUR HOME EQUITY LINE OF CREDIT DISCLOSURES**  
(STANDARD PRODUCT - \$25,000 to \$500,000)

This disclosure describes the features of the Home Equity Line of Credit (the "HELOC") program (the "HELOC" or "Credit Line") you are considering. Information on other HELOC programs is available upon request.

**RETENTION OF INFORMATION:** This Disclosure contains important information about our WSJ Prime HELOC. You should read it carefully and retain 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 receive 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 (the "Property") if you do not meet the obligations in your agreement with us.

**POSSIBLE ACTIONS:** Under this HELOC, we have the following rights:

**Termination and Acceleration.** We can terminate the HELOC 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 HELOC. 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 HELOC.
- (c) Your action or inaction adversely affects the Property for the HELOC or our rights in the Property. This can include, for example, failure to maintain required insurance, waste or destructive use of the Property, failure to pay taxes, death of the sole borrower or one of the borrowers and the Property is adversely affected, transfer of title or sale of the Property without our consent, foreclosure by the holder of another lien, the use of funds on the Property for prohibited purposes, all or part of the Property is taken through condemnation or eminent domain, the Property is used in an illegal way and it subjects the Property to seizure, or you become the subject of a proceeding in bankruptcy, and the Property is adversely affected as a result.

**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 ("Events of Default") are in effect:

- (a) The value of the Property declines significantly below the Property's appraised value for purposes of this HELOC. This includes, for example, a decline such that the initial difference between the credit limit and the available equity is reduced.
- (b) We reasonably believe you will not be able to fulfill the payment obligations under the HELOC due to a material change in your financial circumstances.
- (c) You are in default of any material obligation of the HELOC. 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 Property or proceeds, obligations to pay and perform the terms of any other deed of trust, mortgage, or lease of the Property, obligations to notify us and to provide documents or information to us (such as updated financial information), and 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 HELOC.
- (e) The priority of our security interest is adversely affected by a government action to the extent that the value of the security interest is less than 120% of the credit limit.
- (f) We have been notified by a regulatory agency that supervises us that continued advances may constitute an unsafe and unsound practice.
- (g) The maximum Annual Percentage Rate under the HELOC is reached.
- (h) One of the Events of Default listed above occurs.

**Change in Terms.** We may make changes to the terms of the HELOC if you agree to the change in writing at that time, if the

## IMPORTANT TERMS OF OUR HOME EQUITY LINE OF CREDIT DISCLOSURES

(STANDARD PRODUCT - \$25,000 to \$500,000)

(Continued)

change will unequivocally benefit you throughout the remainder of the HELOC, or if the change is insignificant (such as changes relating to our data processing systems).

**BORROWING AND REPAYMENT TERMS:** You can obtain credit advances for 120 months. This is known as the "Draw Period". Payments during the Draw Period will be due monthly. The minimum monthly payment will include (a) accrued but unpaid interest (Finance Charges); (b) if due, late charges and any other charges authorized by the agreement, including, without limitation, any permissible expenses or advances incurred by us under the security agreement; and (c) an amount equal to the amount by which the account balance either exceeds the amount authorized by applicable law or the applicable credit limit. Paying only the minimum monthly payment will not reduce the principal outstanding of your HELOC.

Your first payment will be determined in the manner described above and will be due on the first of the month following the month in which you received your statement. Your first periodic statement is normally generated and mailed no later than 30 days after you open your HELOC. Statements will continue to be mailed to you monthly as long as there is a balance due on your account.

Upon the expiration of the Draw Period, you may not receive additional advances and you must begin repayment of the outstanding balance on your HELOC, with accrued interest, in periodic installments. This is known as the "Repayment Period" and will span a period of 240 months. Your minimum monthly principal payment will be an amount that will be sufficient to repay the unpaid and outstanding principal balance in full over the 240 months Repayment Period, plus interest at the then-current Annual Percentage Rate in periodic installments. Once calculated your monthly principal payment will not change. The interest portion of your monthly payment will change when the outstanding principal balance and/or the Annual Percentage Rate changes, which will result in your total monthly payment changing. Each time the Annual Percentage Rate changes; we will change your monthly payment by calculating the interest portion of your monthly payment amount based on the Annual Percentage Rate then in effect. Your minimum payment during the Repayment Period will also include late charges and other charges authorized by our agreement.

**Sample Payments on a \$10,000 Balance:** If you made only the minimum monthly payment and took no other credit advances, it would take you 360 months to pay off a \$10,000.00 outstanding balance at an Annual Percentage Rate of 5.50% (a rate we have used recently but may not be your Annual Percentage Rate). During that time, you would make 120 payments (the Draw Period) ranging from \$42.19 to \$46.71 followed by 240 payments (the Repayment Period) ranging from \$87.53 to \$33.85. Ask us what current Annual Percentage Rates are available. These sample payments are not your actual payments. Your actual payments each period will depend on the amount that you have borrowed and the interest rate that period.

**FEES AND CHARGES IMPOSED BY US:** You must pay the following fees at closing and/or as you use and maintain your HELOC:

- (a) **Late Fees:** If you do not make a full payment within fifteen (15) days after the date the payment is due, we will charge you a late fee of five (5) percent of the scheduled payment of principal and interest.
- (b) **Non-Sufficient Funds Fee:** If you make a payment on your HELOC using a check or other instrument that is returned or dishonored, we will charge you a \$30.00 fee.
- (c) **Over Limit Fee:** If you request an Advance or draw a check on your HELOC account that will cause your balance to exceed your Credit Limit, whether or not we agree to authorize the Advance, we will charge you a \$30.00 fee.
- (d) **Stop Payment Fee:** If you request that we stop payment on a check you have issued under your HELOC, when we place the stop payment we will charge you a \$30.00 fee.

**FEES AND CHARGES IMPOSED BY THIRD PARTIES:** We do not charge you for the fees and charges imposed by third parties. If we were to charge you fees before you entered into an agreement with us, if you decided not to enter an agreement with us within three days of receiving this disclosure and the Consumer Financial Protection Bureau's "What you should know about Home Equity Lines of Credit" brochure, you would be entitled to a refund of any fee you may have already paid.

**REAL ESTATE PROPERTY TAXES AND PROPERTY INSURANCE:** You must carry insurance on the Property that secures your HELOC. If a financial institution mortgagee on the Property is not escrowing for taxes or insurance, we reserve the right to require you to make an initial escrow deposit and make monthly escrow payments to us. The amount of the initial deposit and monthly payment will vary depending on the amount of taxes and insurance premium payable.

**TRANSACTION REQUIREMENTS:** The following transaction limitations will apply to the use of your Credit Line. There is a \$500.00 minimum amount of any single credit advance to you.

**TAX IMPLICATIONS:** You should consult a tax advisor regarding the deductibility of interest and other charges under your HELOC.

## IMPORTANT TERMS OF OUR HOME EQUITY LINE OF CREDIT DISCLOSURES

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(Continued)

**VARIABLE RATE INFORMATION:** Your HELOC has an interest rate that is variable, which means that the Annual Percentage Rate (the corresponding Daily Periodic Rate) and the minimum monthly payment can change as a result. To determine the Daily Periodic Rate we divide the value of the Index by 365 days. To obtain the Annual Percentage Rate we multiply the Daily Periodic Rate by 365 days. The variable rate feature applies to both the Draw Period and to the Repayment Period of your term. The Annual Percentage Rate includes only interest and no other costs.

The Annual Percentage Rate is based on the value of an Index. During the Draw and Repayment Periods, the Index is the Wall Street Journal Prime Rate on the first day of each billing cycle. Information on the Index is published in The Wall Street Journal in the Money Rates section. If the Index is no longer available, we will choose a new Index. The new Index will have an historical movement substantially similar to the original Index, and the new Index will result in an Annual Percentage Rate that is substantially similar to the rate in effect at the time the original Index becomes unavailable.

Your initial Annual Percentage Rate, which will be in effect until the first change in the Prime Rate, may not be based on the Index and margin used to make later rate adjustments. Ask us for the current Index value, Annual Percentage Rate, and maximum or minimum rate caps. After you open your HELOC, rate information will be provided on periodic statements that we send you.

During the Draw Period and the Repayment Period the Annual Percentage Rate may change monthly. As a result, your minimum payment can change monthly based on changes in the Annual Percentage Rate. Your Annual Percentage Rate will never exceed 18.00%. Except for this "cap", there is no limit on the amount by which the Annual Percentage Rate may increase or decrease at any time over the life of your HELOC.

**MAXIMUM RATE AND PAYMENT EXAMPLES:** If the Annual Percentage Rate during the Draw Period equaled the 18.00% maximum and you had an outstanding balance of \$10,000, the minimum monthly payment during the Draw Period would be \$152.88. This Annual Percentage Rate could be reached during the first month of the Draw Period.

If you had an outstanding balance of \$10,000 at the time your HELOC enters the Repayment Period, the minimum monthly payment at the maximum Annual Percentage Rate of 18.00% would be \$191.70. This Annual Percentage Rate could be reached during first month of the Repayment Period.

**HISTORICAL EXAMPLE:** The following table shows how the annual 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 business day of January of each year. While only one payment amount per year is shown, payments would have varied throughout the year. The table assumes that no additional credit advances were taken, that only the minimum payments were made each month, and that the annual percentage rate remained constant during each year. The table does not necessarily reflect how the Index or your minimum payments will change in the future. Detailed rate information for your HELOC will be provided on or with each periodic statement.

Year	Index	Margin*	Annual Percentage Rate	Monthly Payments
Draw Period				
2005	5.25%	0.00%	5.25%	\$43.75
2006	7.25%	0.00%	7.25%	\$60.42
2007	8.25%	0.00%	8.25%	\$68.75
2008	7.25%	0.00%	7.25%	\$60.42
2009	3.25%	0.00%	3.25%	\$27.08
2010	3.25%	0.00%	3.25%	\$27.08
2011	3.25%	0.00%	3.25%	\$27.08
2012	3.25%	0.00%	3.25%	\$27.08
2013	3.25%	0.00%	3.25%	\$27.08
2014	3.25%	0.00%	3.25%	\$27.08
Repayment Period				
2015	3.25%	0.00%	3.25%	\$68.78
2016	3.50%	0.00%	3.50%	\$70.87
2017	3.75%	0.00%	3.75%	\$72.95
2018	4.50%	0.00%	4.50%	\$79.20
2019	5.50%	0.00%	5.50%	\$87.53

\* There is no margin on this HELOC product. Your margin may differ.

# What you should know about home equity lines of credit



Consumer Financial  
Protection Bureau

January 2014

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

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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
<b>Potential line of credit</b>	<b>\$35,000</b>

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

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

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

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

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

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

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

### 2.1.1 Variable interest rates

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

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

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

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

## 2.2 Costs of establishing and maintaining a home equity line

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

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

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

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

## 2.3 How will you repay your home equity plan?

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

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

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

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

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

## 2.4 Line of credit vs. traditional second mortgage loans

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

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

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

### 2.4.1 Disclosures from lenders

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

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

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

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

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

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

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

## APPENDIX A:

# Defined terms

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

DEFINED TERM	
<b>ANNUAL MEMBERSHIP OR MAINTENANCE FEE</b>	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.
<b>ANNUAL PERCENTAGE RATE (APR)</b>	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.
<b>APPLICATION FEE</b>	Fees charged when you apply for a loan or other credit. These fees may include charges for property appraisal and a credit report.
<b>BALLOON PAYMENT</b>	A large extra payment that may be charged at the end of a mortgage loan or lease.
<b>CAP (INTEREST RATE)</b>	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](https://consumerfinance.gov/f/201204_CFPB_ARMs-brochure.pdf)) for examples of common indexes that have changed in the past.

**INTEREST RATE**

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

**MARGIN**

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

**MINIMUM PAYMENT**

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



**POINTS (ALSO  
CALLED DISCOUNT  
POINTS)**

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

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**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."

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**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.

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**VARIABLE RATE**

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

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## APPENDIX B:

# More information

For more information about mortgages, including home equity lines of credit, visit [consumerfinance.gov/mortgage](https://consumerfinance.gov/mortgage). For answers to questions about mortgages and other financial topics, visit [consumerfinance.gov/askcfpb](https://consumerfinance.gov/askcfpb). You may also visit the CFPB's website at [consumerfinance.gov/owning-a-home](https://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](https://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](https://consumerfinance.gov/complaint) or by calling (855) 411-CFPB (2372).

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

## APPENDIX C:

# Contact information

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

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

Regulatory agency	Regulated entities	Contact information
<b>Office of the Comptroller of the Currency (OCC)</b> Customer Assistance Group 1301 McKinney Street Suite 3450 Houston, TX 77010	National banks and federally chartered savings banks/associations	(800) 613-6743 <a href="http://occ.treas.gov">occ.treas.gov</a> <a href="http://helpwithmybank.gov">helpwithmybank.gov</a>
<b>Federal Deposit Insurance Corporation (FDIC)</b> 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 <a href="http://fdic.gov">fdic.gov</a> <a href="http://fdic.gov/consumers">fdic.gov/consumers</a>
<b>Federal Housing Finance Agency (FHFA)</b> 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 <a href="http://fhfa.gov">fhfa.gov</a> <a href="http://fhfa.gov/Default.aspx?Page=369">fhfa.gov/Default.aspx?Page=369</a> <a href="mailto:ConsumerHelp@fhfa.gov">ConsumerHelp@fhfa.gov</a>
<b>National Credit Union Administration (NCUA)</b> Consumer Assistance 1775 Duke Street Alexandria, VA 22314	Federally chartered credit unions	(800) 755-1030 <a href="http://ncua.gov">ncua.gov</a> <a href="http://mycreditunion.gov">mycreditunion.gov</a>
<b>Federal Trade Commission (FTC)</b> 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 <a href="http://ftc.gov">ftc.gov</a> <a href="http://ftc.gov/bcp">ftc.gov/bcp</a>

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

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