



**ITEMS TO BE SUBMITTED WITH
HOME EQUITY LINE OF CREDIT
APPLICATION**

Bring In:

- **Pay stubs** – from the last 30 days
- **W-2's and Federal Tax Returns** – from the last 2 years
- **Bank Statements** – from last 2 months (All Pages)
- **Copy of Homeowner's Insurance Policy**
- **Copy of most recent Real Estate Tax Bill**
- **Information on existing mortgage(s)** (Refinance Only)

Fill Out & Sign:

- **Application**
- **Illinois Civil Union Addendum(s)**
- **Borrower's Certification and Authorization**
- **Appraisal Delivery Timing Waiver**
- **Property Description Sheet**

Borrower Email Address: _____

FIRST BANK OF MANHATTAN MORTGAGE LOAN ORIGINATORS
NMLS ID #405508

John E. Kramer, President	NMLS ID # 417422
David S. Zang, Executive Vice President	NMLS ID # 417424
Scott VanBurk, Senior Vice President	NMLS ID # 502891
Ryan Bancsy, Vice President	NMLS ID # 1194173
Kelly M. Palmer, Vice President	NMLS ID # 1653842
Jean N. Phelps, Loan Officer	NMLS ID # 887262
Sofia Escutia, Customer Service Liaison	NMLS ID # 2641265

**Consumers may look up information about our lenders, using the NMLS ID #'s, by visiting <http://www.nmlsconsumeraccess.org/>*



HOME EQUITY LOAN APPLICATION

PLEASE TYPE OR PRINT

TYPE OF ACCOUNT REQUESTED

Check one to indicate the type of account you are requesting. Note: Married applicants may apply for separate accounts.

Joint Account Individual Account - Relying solely on my income and assets.
 Individual Account - Relying on my income and assets and as well as income or assets of another.

TERMS REQUESTED

Amount \$	Interest Rate %	Type of Loan <input type="checkbox"/> Fixed Rate <input type="checkbox"/> ARM (type):	Home Equity Line of Credit
No. of Months \$	Payment / Month	Purpose <input type="checkbox"/> Home Improvement <input type="checkbox"/> Pay Debt:	<input type="checkbox"/> Other:

COLLATERAL PROPERTY

Address	Year Built	Date Purchased	Present Value	Balance Owing
Title in Name(s) of:	Address of Title Holder		Name and Address of Insurance Carrier	

Mortgage Holder

Name Address Phone No. Acct. No.

INDIVIDUAL APPLICANT INFORMATION

Name		Birthdate	Social Security No.
Address (Street, City, State, Zip)		County	Driver's License No.
Home Phone	Business Phone	No. of Dependents	Ages of Dependents
Employer/Self Employed	Position	Years Employed	Employer's Address
Wages, Salary, Commissions Gross \$ /month		How Often Paid	
Previous Employer	Position	Years Employed	Previous Employer's Address
Name and Address of Applicant's Nearest Relative			Relationship

Alimony, child support, or separate maintenance income need not be revealed if you do not wish to have it considered. Alimony, child support, separate maintenance received pursuant to: Court Order Written Agreement Oral Understanding.

Other Income: Source Amount/Month

Marital Status Married Separated Unmarried (includes single, divorced and widowed)

JOINT APPLICANT OR OTHER PARTY INFORMATION

Provide the information in this section for a joint applicant, another party that will use or contribute assets or income toward repayment on the account, or for your spouse if you live in, or the collateral property is located in, AZ, CA, ID, LA, NM, NV, TX, WA or WI.

Name		Birthdate	Social Security No.
Address (Street, City, State, Zip)		County	Driver's License No.
Home Phone	Business Phone	No. of Dependents	Ages of Dependents
Employer/Self Employed	Position	Years Employed	Employer's Address
Wages, Salary, Commissions Gross \$ /month		How Often Paid	
Previous Employer	Position	Years Employed	Previous Employer's Address
Name and Address of Joint Applicant's or Other Party's Nearest Relative			Relationship

Alimony, child support, or separate maintenance income need not be revealed if you do not wish to have it considered. Alimony, child support, separate maintenance received pursuant to: Court Order Written Agreement Oral Understanding.

Other Income: Source Amount/Month

Marital Status Married Separated Unmarried (includes single, divorced and widowed)

GENERAL INFORMATION

If you or a joint applicant or other party answers "yes" to any of the following questions, please explain in the space provided.

Are you a guarantor or co-maker of any leases, contracts or debts? Applicant: Yes No Joint Applicant/Other Party: Yes No

Are there any suits or judgments pending against you? Applicant: Yes No Joint Applicant/Other Party: Yes No
(Include amount) _____

Have you been declared bankrupt in the last 10 years? Applicant: Yes No Joint Applicant/Other Party: Yes No

PREVIOUS CREDIT REFERENCES

Describe any previous debt obligations. Please mark Applicant-related information with an "A".

1.	\$	Date Paid
2.	\$	Date Paid

ASSET AND DEBT INFORMATION

If "Joint Applicant or Other Party Information" section was completed above, this section should be completed giving information about both the Applicant and the Joint Applicant or Other Party. **Attach additional sheets if necessary.**

ASSETS

DESCRIPTION OF CURRENT ASSETS	NAME(S) OF OWNER(S)	SUBJECT TO DEBT: YES/NO	VALUE
Checking Accounts (Institution, Acct. No.)			\$
Savings Accounts (Institution, Acct. No.)			
Automobiles (Make, Model, Year)			
Marketable Securities (Issuer, Type, No. of Shares)			
Life Insurance Cash Value (Issuer)			
Other Real Estate (Location, when acquired)			
Other Assets (Describe)			
Total Assets			\$ 0

OUTSTANDING DEBTS (Include all charge accounts, installment contracts, credit cards, rents, mortgages and other obligations.)

CREDITOR	ACCOUNT NUMBER	NAMES IN WHICH THE ACCOUNT IS CARRIED	ORIGINAL AMOUNT	PRESENT BALANCE	MONTHLY PAYMENTS
Auto Loans					
Credit or Charge Cards					
Landlord or Mortgage Holder on other Real Estate					
Other					
TOTAL DEBTS			\$ 0	\$ 0	\$ 0

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

NOTICE - JOINT CREDIT:

We intend to apply for joint credit. (Initials) _____

I certify that everything I have stated in this application and on any attachments is correct. You may keep this application whether or not it is approved. By signing below, I authorize you to check my credit and employment history, to have a consumer credit report prepared on me for the purpose of evaluating this application for credit, and to answer questions others may ask you about my credit record with you. I understand that I must update this credit information at your request and if my financial condition changes.

I acknowledge receipt of the Home Equity Brochure and the lender's Home Equity disclosure statement on today's date.

Applicant _____ Date _____ Joint-Applicant _____ Date _____

CREDITOR USE ONLY			
This application was taken by: <input type="checkbox"/> face-to-face interview <input type="checkbox"/> mail <input type="checkbox"/> telephone.			
Date Application Received:	Received By:		Amount Requested \$
Date Application Completed:	Approved By: /		Amount Approved \$
Rescindable? <input type="checkbox"/> Yes <input type="checkbox"/> No	RESPA Applicable? <input type="checkbox"/> Yes <input type="checkbox"/> No	Funding Date:	Initial Advance \$

IMPORTANT APPLICANT INFORMATION: Federal law requires financial institutions to obtain sufficient information to verify your identity. You may be asked several questions and to provide one or more forms of identification to fulfill this requirement. In some instances we may use outside sources to confirm the information. The information you provide is protected by our privacy policy and federal law.

BORROWER'S CERTIFICATION AND AUTHORIZATION

CERTIFICATION

The Undersigned certify the following:

1. I/We have applied for a mortgage loan from FIRST BANK OF MANHATTAN. In applying for the loan, I/We completed a loan application containing various information on the purpose of the loan, the amount and source of the down payment, employment and income information, and the assets and liabilities. I/We certify that all of the information is true and complete. I/We made no misrepresentations in the loan application or other documents, nor did I/We omit any pertinent information.
2. I/We understand and agree that FIRST BANK OF MANHATTAN reserves the right to change the mortgage loan review process to a full documentation program. This may include verifying the information provided on the application with the employer and/or the financial institution.
3. I/We fully understand that it is a Federal crime punishable by fine or imprisonment, or both, to knowingly make any false statements when applying for this mortgage, as applicable under the provisions of Title 18, United States Code, Section 1014.

AUTHORIZATION TO RELEASE INFORMATION

To Whom It May Concern:

1. I/We have applied for a mortgage loan from FIRST BANK OF MANHATTAN. As part of the application process, FIRST BANK OF MANHATTAN may sell my mortgage, any and all information contained in my/our loan application and in other documents required in connection with the loan, either before the loan is closed or as part of its quality control program.
2. I/We authorize you to provide to FIRST BANK OF MANHATTAN and to any investor to whom FIRST BANK OF MANHATTAN may sell my/our mortgage, any and all information and documentation that they request. Such information includes, but is not limited to, employment history and income; bank, money market and similar account balances; credit history; and copies of income tax returns.
3. FIRST BANK OF MANHATTAN or any investor that purchases the mortgage may address this authorization to any party named in the loan application.
4. I authorize FIRST BANK OF MANHATTAN to investigate account information on my behalf in connection with this loan application. This may include credit reports, verification of account balances with other institutions and other financial information.
5. A copy of this authorization may be accepted as an original.

Borrower Signature

Borrower Signature

Date: _____

Date: _____

Uniform Residential Loan Application
Illinois Civil Union Addendum

Borrower(s):

Property Address:

Under Illinois law, a party to a civil union is entitled to the same legal obligations, responsibilities, protections, and benefits as are afforded or recognized by the law of Illinois to spouses. Marriage between persons of the same sex, a civil union, or substantially similar relationship legally entered into in another state is recognized in Illinois as a civil union.

If you, the borrower, are a party to a civil union in Illinois or a same-sex marriage, a civil union, or substantially similar relationship legally entered into in another jurisdiction, the Lender may require that your partner or spouse also sign the security instrument and other legal documents for securing this loan.

The undersigned Borrower hereby represents to Lender and to Lender's successors and assigns, and its agents, brokers, processors, attorneys, insurers, and servicers the following:

Please check all that apply:

I am not party to a civil union in Illinois or in any other jurisdiction recognizing civil unions, same sex marriage, or substantially similar relationships.

I am party to a civil union in Illinois.

I am involved in a civil union, same sex marriage, or other substantially similar relationship formed in a jurisdiction other than Illinois.

Please provide below the name of your civil union partner or spouse if you are party to a civil union in Illinois or have formed a civil union, same sex marriage, or other substantially similar relationship in another state.

Name of Civil Union Partner/Spouse

Borrower _____ Date _____

Uniform Residential Loan Application
Illinois Civil Union Addendum

Borrower(s):

Property Address:

Under Illinois law, a party to a civil union is entitled to the same legal obligations, responsibilities, protections, and benefits as are afforded or recognized by the law of Illinois to spouses. Marriage between persons of the same sex, a civil union, or substantially similar relationship legally entered into in another state is recognized in Illinois as a civil union.

If you, the borrower, are a party to a civil union in Illinois or a same-sex marriage, a civil union, or substantially similar relationship legally entered into in another jurisdiction, the Lender may require that your partner or spouse also sign the security instrument and other legal documents for securing this loan.

The undersigned Borrower hereby represents to Lender and to Lender's successors and assigns, and its agents, brokers, processors, attorneys, insurers, and servicers the following:

Please check all that apply:

I am not party to a civil union in Illinois or in any other jurisdiction recognizing civil unions, same sex marriage, or substantially similar relationships.

I am party to a civil union in Illinois.

I am involved in a civil union, same sex marriage, or other substantially similar relationship formed in a jurisdiction other than Illinois.

Please provide below the name of your civil union partner or spouse if you are party to a civil union in Illinois or have formed a civil union, same sex marriage, or other substantially similar relationship in another state.

Name of Civil Union Partner/Spouse

Borrower _____ Date _____



Property Description Form

Borrower: _____

Address: _____

Subdivision: _____

Design (Style): Ranch: _____ Split: _____ 2 Story: _____ Other: _____

Year Built: _____

of Car Garage: _____

Attached: _____ Yes _____ No _____

Total Number of Rooms: _____

Bedrooms(above grade): _____

Outbuildings: _____ Yes _____ No _____

(i.e. Sheds, Pole buildings, etc.)

Baths(above grade): _____

of Outbuildings: _____

Gross Living Area: _____

Lot Size: _____

Foundation: Slab: _____ Crawl: _____

Partial Basement: _____ Full Basement: _____

Partial Finished: _____ Full Finished: _____

Basement features: _____

list completed rooms in basement

Recent Upgrades/Repairs: _____

Please include any significant

upgrades including windows, siding,

roof, pool, deck, and other unique

features. Also include any recent

remodels such as kitchen, bath,

flooring, etc.

X

Borrower

X

Co-Borrower



APPRAISAL WAIVER OF THREE-BUSINESS DAY DELIVERY REQUIREMENT

Applicant:

Property Address:

By signing below, I waive my right to receive a copy of the appraisal report or other written evaluation for the above referenced property three (3) business days prior to the closing of the loan. This waiver does not affect my right to receive a copy of the appraisal report under the Equal Credit Opportunity Act or other law.

Borrower

Date

Co-Borrower

Date

HOME EQUITY LINE OF CREDIT APPLICATION DISCLOSURE

First Bank of Manhattan
State Street Branch
230 S State Street
P.O. Box 85
Manhattan, IL 60442

IMPORTANT TERMS OF OUR HOME EQUITY LINE OF CREDIT APPLICATION DISCLOSURE

This disclosure contains important information about our HELOC (the "Plan" or the "Credit Line"). You should read it carefully and keep a copy for your records.

AVAILABILITY OF TERMS. All of the terms of the Plan described herein are subject to change. If any of these terms change (other than the ANNUAL PERCENTAGE RATE) and you decide, as a result, not to enter into an agreement with us, you are entitled to a refund of any fees that you paid to us or anyone else in connection with your application.

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

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

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

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

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

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

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

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

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

Description	Amount	When Charged
Annual Fee:	\$50.00	Annually
NSF Handling Fee:	\$30.00	At the time a payment is returned to us for non-sufficient funds
Stop Payment Fee:	\$30.00	At the time you request a Stop Payment

Late Charge. Your payment will be late if it is not received by us within **10 days after the "Payment Due Date" shown on your periodic statement.** If your payment is late we may charge you 5.000% of the payment or \$10.00, whichever is greater.

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

MINIMUM PAYMENT REQUIREMENTS. You can obtain advances of credit during the following period: 10 Years (the "Draw Period"). Your Regular Payment will equal the amount of your accrued FINANCE CHARGES. You will make 119 of these payments. You will then be required to pay the entire balance owing in a single balloon payment. If you make only the minimum payments, you may not repay any of the principal balance by the end of this payment stream. Your payments will be due monthly. Your "Minimum Payment" will be the Regular Payment, plus any amount past due and all other charges. An increase in the ANNUAL PERCENTAGE RATE may increase the amount of your Regular

HOME EQUITY LINE OF CREDIT APPLICATION DISCLOSURE (Continued)

Page 2

Payment.

MINIMUM PAYMENT EXAMPLE. If you made only the minimum payment and took no other credit advances, it would take 10 years to pay off a credit advance of \$10,000.00 at an ANNUAL PERCENTAGE RATE of 8.750%. During that period, you would make 119 monthly payments ranging from \$67.12 to \$74.32 and one final payment of \$10,074.32.

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

Credit Line Equicheck, Telephone Request, Online Banking, Request By Mail and In Person Request Limitations. The following transaction limitations will apply to your Credit Line and the writing of Equichecks, requesting an advance by telephone, accessing by other methods, requesting an advance by mail and requesting an advance in person.

Minimum Advance Amount. The minimum amount of any credit advance that can be made on your Credit Line is \$500.00. This means any Equicheck must be written for at least the minimum advance amount.

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

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

THE INDEX. The annual percentage rate is based on the value of an index (referred to in this disclosure as the "Index"). The Index is the base rate on corporate loans posted by at least 70% of the 10 largest U.S. banks known as the Wall Street Journal U.S. Prime Rate, and as published in the Wall Street Journal. Information about the Index is available or published in the Wall Street Journal. We will use the most recent Index value available to us as of the date of any annual percentage rate adjustment.

ANNUAL PERCENTAGE RATE. To determine the Periodic Rate that will apply to your account, we add a margin to the value of the Index, round that sum up to the nearest 0.001%, then divide the rounded value by 365 days. To obtain the ANNUAL PERCENTAGE RATE we multiply the Periodic Rate by the number of days in a year (366 during leap years). This result is the **ANNUAL PERCENTAGE RATE**. A change in the Index rate generally will result in a change in the ANNUAL PERCENTAGE RATE. The amount that your ANNUAL PERCENTAGE RATE may change also may be affected by the lifetime annual percentage rate limits, as discussed below.

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

FREQUENCY OF ANNUAL PERCENTAGE RATE ADJUSTMENTS. Your ANNUAL PERCENTAGE RATE can change daily. There is no limit on the amount by which the annual percentage rate can change during any one year period. However, under no circumstances will your ANNUAL PERCENTAGE RATE exceed 18.000% per annum or, go below 5.500% per annum at any time during the term of the Plan.

MAXIMUM RATE AND PAYMENT EXAMPLE. If you had an outstanding balance of \$10,000.00, the minimum payment at the maximum ANNUAL PERCENTAGE RATE of 18.000% would be \$152.88. This ANNUAL PERCENTAGE RATE could be reached immediately or prior to the 1st payment.

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

HISTORICAL EXAMPLE. The example below shows how the ANNUAL PERCENTAGE RATE and the minimum payments for a single \$10,000.00 credit advance would have changed based on changes in the Index from 2011 to 2025. The Index values are from the following reference period: as of the 1st business day of January. While only one payment per year is shown, payments may have varied during each year. Different outstanding principal balances could result in different payment amounts.

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

INDEX TABLE

Year (as of the 1st business day of January)	Index (Percent)	Margin (1) (Percent)	ANNUAL PERCENTAGE RATE	Monthly Payment (Dollars)
2011.....	3.250....	1.250	5.500 (8)	46.71
2012.....	3.250....	1.250	5.500 (8)	46.71
2013.....	3.250....	1.250	5.500 (8)	46.71
2014.....	3.250....	1.250	5.500 (8)	46.71
2015.....	3.250....	1.250	5.500 (8)	46.71
2016.....	3.500....	1.250	5.500 (8)	46.71
2017.....	3.750....	1.250	5.500 (8)	46.71
2018.....	4.500....	1.250	5.750	48.84
2019.....	5.500....	1.250	6.750	57.33
2020.....	4.750....	1.250	6.000	50.96
2021.....	3.250....	1.250	5.500 (8)	
2022.....	3.250....	1.250	5.500 (8)	
2023.....	7.500....	1.250	8.750	
2024.....	8.500....	1.250	9.750	
2025.....	7.500....	1.250	8.750	

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

(8) This A.P.R. reflects a 5.500 percent floor.

EARLY TERMINATION FEE. If Borrower terminates this agreement and requests a discharge of the mortgage within 24 months from the date of this Agreement, Borrower shall then be obligated to pay Lender an Early Termination Fee of two percent (2.0%) of the initial credit limit for the plan.

FACTS**WHAT DOES FIRST BANK OF MANHATTAN
DO WITH YOUR PERSONAL INFORMATION?**

Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share, and protect your personal information. Please read this notice carefully to understand what we do.

The types of personal information we collect and share depend on the product or service you have with us. This information can include:

- Social Security number and account balances
- credit history and income
- payment history and transaction history

When you are *no longer* our customer, we continue to share your information as described in this notice.

All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons First Bank of Manhattan chooses to share; and whether you can limit this sharing.

Reason we can share your information	First Bank of Manhattan chooses to share	Can you limit this sharing?
For our everyday business purposes— such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus	Yes	No
For our marketing purposes— to offer our products and services to you	Yes	No
For joint marketing with other financial companies	No	We don't share
For our affiliates' everyday business purposes— information about your transactions and experiences	No	We don't share
For our affiliates' everyday business purposes— information about your creditworthiness	No	We don't share
For our affiliates to market to you	No	We don't share
For nonaffiliates to market to you	No	We don't share

Call 815-478-4611 or go to www.fnbmanhattan.com

Who is providing this notice?	First Bank of Manhattan
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How does First Bank of Manhattan protect my personal information?	To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings.
How does First Bank of Manhattan collect my personal information?	We collect your personal information, for example, when you <ul style="list-style-type: none"> ● apply for a loan or deposit money ● open an account or pay your bills ● use your credit or debit card We also collect your personal information from other companies.
Why can't I limit all sharing?	Federal law gives you the right to limit only <ul style="list-style-type: none"> ● sharing for affiliates' everyday business purposes – information about your creditworthiness ● affiliates from using your information to market to you ● sharing for nonaffiliates to market to you State laws and individual companies may give you additional rights to limit sharing.

Affiliates	Companies related by common ownership or control. They can be financial and nonfinancial companies. <ul style="list-style-type: none"> ● <i>First Bank of Manhattan does not share with our affiliates.</i>
Nonaffiliates	Companies not related by common ownership or control. They can be financial and nonfinancial companies. <ul style="list-style-type: none"> ● <i>First Bank of Manhattan does not share with nonaffiliates so they can market to you.</i>
Joint marketing	A formal agreement between nonaffiliated financial companies that together market financial products or services to you. <ul style="list-style-type: none"> ● <i>First Bank of Manhattan doesn't jointly market.</i>

WHAT YOU SHOULD KNOW ABOUT

Home Equity Lines of Credit (HELOC)

Borrowing from the
value of your home



Consumer Financial
Protection Bureau



An official publication of the U.S. government

How to use the booklet

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

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

About the CFPB

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

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

How can this booklet help you?

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

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

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

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

After you finish this booklet:

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

Compare a HELOC to other money sources

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

TIP

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

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

Compare a HELOC to other money sources

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

How HELOCs work

PREPARE FOR UP-FRONT COSTS

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

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

PULL MONEY FROM YOUR LINE OF CREDIT

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

MAKE REPAYMENTS DURING THE "DRAW PERIOD"

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

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

ENTER THE "REPAYMENT PERIOD"

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

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

RENEW OR CLOSE OUT THE LINE OF CREDIT

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

TIP

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



GET THREE HELOC ESTIMATES

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

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



GET THREE HELOC ESTIMATES

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

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

How variable interest rates work

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

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

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

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

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

Rights and responsibilities

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

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

- Annual fees

- Miscellaneous charges

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

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

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

Right to cancel (also called right to rescind)

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

TIP

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

If something changes during the course of the loan

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

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



WELL DONE!

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

In this booklet:

ASK YOURSELF

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

Have I shopped around for HELOC features and fees?

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

ONLINE TOOLS

CFPB website
cfpb.gov

Answers to common questions
cfpb.gov/askcfpb

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

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

Submit a complaint
cfpb.gov/complaint