



NODAWAY VALLEY BANK

Home Equity Line of Credit (HELOC) Loan Disclosure Packet

Thank you for your interest in applying for a HELOC loan with Nodaway Valley Bank.

The following information is usually required during the loan process. Please note that this supporting information is not required to be provided at the same time you provide your loan application.

- Copies of paystubs for the past 30 days for each borrower.
- Copies of W2 and/or 1099s forms for the previous 2 years for each borrower.
- Copies of last 2 years completed Personal and Business Federal Income Tax returns (if applicable) with all schedules included, YTD P&L Statement and Balance Sheet.
- Proof of additional income (Awards letters, lease agreements, etc.)
- Copies of bank/asset statements for the previous 2 months, and a copy of most recent 401k statement, or any additional investment accounts.
- Provide a copy of each applicants valid, unexpired Driver's License or state issued identification.
- Complete copy of all divorce decrees and/or separation agreements along with all amendments.
- Bankruptcy Petition decree, schedule of creditors, and discharge of bankruptcy with letter of explanation.
- Copy of Last 3 Months Mortgage Statement
- Copy of Proof of Homeowners insurance
- Copy of Paid Real Estate Taxes

Please contact one of our loan officers if you have any questions.

Maryville, MO 64468
660-562-3232

Mound City, MO
660-442-3131

Savannah, MO
816-324-3158

Smithville, MO
816-873-2929

Platte City, MO
816-597-5300

St. Joseph, MO 64507
816-364-5678



Lenders

NMLS Identification Numbers

Maryville

Randy Luke	500774
Brian Schieber	500812
Tom Shelton	1452421
Clint Tobin	500883
Ben Shifflett	2181022
Trent Nally	2348355
Nathan Luke	1774327

Mound City

Mark Quick	1007024
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Platte City

Kelly Parkhurst	405346
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Smithville

Travis Boyer	405358
Keri Rotterman	405344

Northland Lending Office

Marvin Davis	446030
Ryan Lorentz	657446

St. Joseph - Riverside

Lisa Little	609274
Brett Steiner	1875197
Craig Lewis	2141866

St. Joseph - Cook Road

Carol Barnett	539630
Seann O'Riley	483022
John Thompson	1274408

St. Joseph - Faraon

Rodger Karn	483222
Jason Swofford	1511178

St. Joseph - King Hill

Jeff Bird	539456
Sean Farris	1381606

Savannah

Steve Houston	501056
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For more information please call us at any of the numbers listed below.

MARYVILLE (660) 562-3232 • ST JOSEPH (816) 364-5678 • PLATTE CITY (816) 597-5300
SMITHVILLE (816) 873-2929 • SAVANNAH (816) 324-3158 • MOUND CITY (660) 442-3131
NORTHLAND LENDING OFFICE (816) 407-8682 • TOLL FREE (877) 217-4682



NODAWAY VALLEY BANK

ECOA Valuations Rule Right to Receive Copy of Appraisal

To determine the property's value, we may order an appraisal at your expense. We will promptly provide a copy of any appraisal, even if the loan does not close. You may order and pay for another appraisal for your own use.

ECOA Valuations Rule applies to closed-end or open-end credit secured by a first lien on a dwelling.

Maryville, MO 64468
660-562-3232

Mound City, MO
660-442-3131

Savannah, MO
816-324-3158

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816-597-5300

St. Joseph, MO 64507
816-364-5678

www.nvb.com

5 YEAR HOME EQUITY APPLICATION DISCLOSURE

**Nodaway Valley Bank
Belt & Faraon
P. O. Box 7315
402 N. Belt Hwy
Saint Joseph, MO 64506**

IMPORTANT TERMS OF OUR 5 YEAR HOME EQUITY APPLICATION DISCLOSURE

This disclosure contains important information about our Heloc - 5 Year (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
Flood Hazard Determination Life of Loan:	2.00	At Account Closing
Flood Hazard Determination:	11.00	At Account Closing
Appraisal:	500.00	At Account Closing
Recording Fees:	69.00	At Account Closing
Title Search:	300.00	At Account Closing

Late Charge. 5.000% of the late amount with a max of \$25.00 if more than 15 days late.

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

These third party fees generally total between \$0.00 and \$882.00. Upon request, we will provide you with an itemization of the fees you will have to pay to third parties.

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

5 YEAR HOME EQUITY APPLICATION DISCLOSURE (Continued)

MINIMUM PAYMENT REQUIREMENTS. You can obtain advances of credit during the following period: I may request advances for 5 years (Draw Period) beginning on the Credit Agreement date. (the "Draw Period"). Your Regular Payment will be based on a percentage of your outstanding balance plus all accrued FINANCE CHARGES as shown below or \$50.00, whichever is greater. Your balance will be rounded to the nearest one dollar. Your payments will be due monthly.

<u>Range of Balances</u>	<u>Number of Payments</u>	<u>Regular Payment Calculation</u>
All Balances	60	0.560% of your outstanding balance plus all accrued FINANCE CHARGES

Your "Minimum Payment" will be the Regular Payment, plus any amount past due and all other charges. The Minimum Payment will not fully repay the principal that is outstanding on your Credit Line and your final payment will be a single balloon payment. An increase in the ANNUAL PERCENTAGE RATE may increase the amount of your Regular Payment.

In any event, if your Credit Line balance falls below \$50.00, you agree to pay your balance in full.

MINIMUM PAYMENT EXAMPLE. If you made only the minimum payment and took no other credit advances, it would take 5 years to pay off a credit advance of \$10,000.00 at an ANNUAL PERCENTAGE RATE of 7.250%. During that period, you would make 59 monthly payments ranging from \$83.45 to \$117.58 and one final payment of \$7,223.90.

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

Telephone Request and In Person Request Limitations. There are no transaction limitations for requesting an advance by telephone or requesting an advance in person.

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

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

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

THE INDEX. The annual percentage rate is based on the value of an index (referred to in this disclosure as the "Index"). The Index is the base rate on corporate loans posted by at least 70% of the 10 largest U.S. banks known as the Wall Street Journal U.S. Prime Rate. Information about the Index is available or published in the Wall Street Journal. We will use the most recent Index value available to us as of on the same day 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 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 monthly. There is no limit on the amount by which the annual percentage rate can change during any one year period. However, under no circumstances will your ANNUAL PERCENTAGE RATE exceed 16.000% per annum or, go below 4.500% 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 16.000% would be \$191.89. 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 2012 to 2026. The Index values are from the following reference period: as of the first 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.

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

INDEX TABLE

Year (as of the first business day of January)	Index (Percent)	Margin (1) (Percent)	ANNUAL PERCENTAGE RATE	Monthly Payment (Dollars)
2012.....	3.250.....	0.500	4.500 (8)	94.22
2013.....	3.250.....	0.500	4.500 (8)	88.08
2014.....	3.250.....	0.500	4.500 (8)	82.34
2015.....	3.250.....	0.500	4.500 (8)	76.97
2016.....	3.500.....	0.500	4.500 (8)	71.96
2017.....	3.750.....	0.500	4.500 (8)	
2018.....	4.500.....	0.500	5.000	
2019.....	5.500.....	0.500	6.000	
2020.....	4.750.....	0.500	5.250	
2021.....	3.250.....	0.500	4.500 (8)	
2022.....	3.250.....	0.500	4.500 (8)	
2023.....	7.500.....	0.500	8.000	
2024.....	8.500.....	0.500	9.000	
2025.....	7.500.....	0.500	8.000	
2026.....	6.750.....	0.500	7.250	

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

(8) This A.P.R. reflects a 4.500 percent floor.

10 YEAR HOME EQUITY APPLICATION DISCLOSURE

**Nodaway Valley Bank
Belt & Faraon
P. O. Box 7315
402 N. Belt Hwy
Saint Joseph, MO 64506**

IMPORTANT TERMS OF OUR 10 YEAR HOME EQUITY APPLICATION DISCLOSURE

This disclosure contains important information about our Heloc 10 year 4.50% floor (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
Flood Hazard Determination Life of Loan:	2.00	At Account Closing
Flood Hazard Determination:	11.00	At Account Closing
Appraisal:	500.00	At Account Closing
Recording Fees:	69.00	At Account Closing
Title Search:	275.00	At Account Closing

Late Charge. 5.000% of the late amount with a max of \$25.00 if more than 15 days late.

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

These third party fees generally total between \$0.00 and \$882.00. Upon request, we will provide you with an itemization of the fees you will have to pay to third parties.

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

10 YEAR HOME EQUITY APPLICATION DISCLOSURE (Continued)

MINIMUM PAYMENT REQUIREMENTS. You can obtain advances of credit during the following period: I may request advances for 10 years (Draw Period) beginning on the Credit Agreement date. (the "Draw Period"). Your Regular Payment will be based on a percentage of your outstanding balance plus all accrued FINANCE CHARGES as shown below or \$50.00, whichever is greater. Your balance will be rounded to the nearest one dollar. Your payments will be due monthly.

<u>Range of Balances</u>	<u>Number of Payments</u>	<u>Regular Payment Calculation</u>
All Balances	120	0.560% of your outstanding balance plus all accrued FINANCE CHARGES

Your "Minimum Payment" will be the Regular Payment, plus any amount past due and all other charges. The Minimum Payment will not fully repay the principal that is outstanding on your Credit Line and your final payment will be a single balloon payment. An increase in the ANNUAL PERCENTAGE RATE may increase the amount of your Regular Payment.

In any event, if your Credit Line balance falls below \$50.00, you agree to pay your balance in full.

MINIMUM PAYMENT EXAMPLE. If you made only the minimum payment and took no other credit advances, it would take 10 years to pay off a credit advance of \$10,000.00 at an ANNUAL PERCENTAGE RATE of 7.250%. During that period, you would make 119 monthly payments ranging from \$59.59 to \$117.58 and one final payment of \$5,157.48.

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

Telephone Request and In Person Request Limitations. There are no transaction limitations for requesting an advance by telephone or requesting an advance in person.

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

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

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

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

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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 16.000% would be \$191.89. This ANNUAL PERCENTAGE RATE could be reached immediately or prior to the 1st payment.

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**10 YEAR HOME EQUITY APPLICATION DISCLOSURE
(Continued)**

INDEX TABLE

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2015.....	3.250.....	0.500	4.500 (8)	76.97
2016.....	3.500.....	0.500	4.500 (8)	71.96
2017.....	3.750.....	0.500	4.500 (8)	67.27
2018.....	4.500.....	0.500	5.000	65.71
2019.....	5.500.....	0.500	6.000	66.73
2020.....	4.750.....	0.500	5.250	58.67
2021.....	3.250.....	0.500	4.500 (8)	51.38
2022.....	3.250.....	0.500	4.500 (8)	
2023.....	7.500.....	0.500	8.000	
2024.....	8.500.....	0.500	9.000	
2025.....	7.500.....	0.500	8.000	
2026.....	6.750.....	0.500	7.250	

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

(8) This A.P.R. reflects a 4.500 percent floor.



NODAWAY VALLEY BANK

Rev. April 2016

FACTS WHAT DOES NODAWAY VALLEY BANK DO WITH YOUR PERSONAL INFORMATION?		
Why?	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.	
What?	<p>The types of personal information we collect and share depend on the product or service you have with us. This information can include:</p> <ul style="list-style-type: none"> ● Social Security number ● Account balances ● Payment history ● Transaction history ● Credit history ● Account transactions <p>When you are <i>no longer</i> our customer, we continue to share your information as described in this notice.</p>	
How?	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 Nodaway Valley Bank chooses to share; and whether you can limit this sharing.	
Reasons we can share your personal information	Does Nodaway Valley Bank 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	No	We don't share
For joint marketing with other financial companies	Yes	No
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 nonaffiliates to market to you	No	We don't share
Questions?	Call toll-free 1-877-217-4682 or go to www.nvb.com	

What We Do	
How does Nodaway Valley Bank 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. We maintain physical, electronic and procedural safeguards to protect this information and we restrict access to information about you to those employees for whom access is appropriate.
How does Nodaway Valley Bank collect my personal information?	We collect your personal information, for example, when you <ul style="list-style-type: none"> ● Open an account ● Pay your bills ● Apply for a loan ● Use your credit or debit card ● Make deposits or withdrawals from your account We also collect your personal information from others, such as credit bureaus or 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. See below for more on your rights under state law.
Definitions	
Affiliates	Companies related by common ownership or control. They can be financial and non-financial companies. <ul style="list-style-type: none"> ● <i>Nodaway Valley Bank does not share with our affiliates.</i>
Nonaffiliates	Companies not related by common ownership or control. They can be financial and non-financial companies. <ul style="list-style-type: none"> ● <i>Nodaway Valley Bank 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>Our joint marketing partners include credit card companies.</i>
Other Important Information	
<p>For Alaska, Illinois, Maryland and North Dakota Customers. We will not share personal information with nonaffiliates either for them to market to you or for joint marketing - without your authorization.</p> <p>For California Customers. We will not share personal information with nonaffiliates either for them to market to you or for joint marketing - without your authorization. We will also limit our sharing of personal information about you with our affiliates to comply with all California privacy laws that apply to us.</p> <p>For Massachusetts, Mississippi and New Jersey Customers. We will not share personal information from deposit or share relationships with nonaffiliates either for them to market to you or for joint marketing - without your authorization.</p> <p>For Vermont Customers</p> <ul style="list-style-type: none"> ● We will not disclose information about your creditworthiness to our affiliates and will not disclose your personal information, financial information, credit report, or health information to nonaffiliated third parties to market to you, other than as permitted by Vermont law, unless you authorize us to make those disclosures. ● Additional information concerning our privacy policies can be found at www.nvb.com or call 1-877-217-4682. 	

WHAT YOU SHOULD KNOW ABOUT

Home Equity Lines of Credit (HELOC)

Borrowing from the
value of your home



Consumer Financial
Protection Bureau



An official publication of the U.S. government

How to use the booklet

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

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

About the CFPB

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

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

How can this booklet help you?

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

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

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

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

After you finish this booklet:

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

Compare a HELOC to other money sources

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

TIP

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

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

Compare a HELOC to other money sources

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

How HELOCs work

PREPARE FOR UP-FRONT COSTS

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

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

PULL MONEY FROM YOUR LINE OF CREDIT

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

MAKE REPAYMENTS DURING THE “DRAW PERIOD”

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

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

ENTER THE “REPAYMENT PERIOD”

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

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

RENEW OR CLOSE OUT THE LINE OF CREDIT

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

TIP

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



GET THREE HELOC ESTIMATES

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

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



GET THREE HELOC ESTIMATES

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

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

My best HELOC offer is: _____

How variable interest rates work

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

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

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

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

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

Rights and responsibilities

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

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

- Annual fees
- Miscellaneous charges

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

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

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

Right to cancel (also called right to rescind)

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

TIP

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

If something changes during the course of the loan

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

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



WELL DONE!

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



In this booklet:

ASK YOURSELF

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

Have I shopped around for HELOC features and fees?

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

ONLINE TOOLS

CFPB website
cfpb.gov

Answers to common questions
cfpb.gov/askcfpb

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

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

Submit a complaint
cfpb.gov/complaint



WIRE FRAUD ALERT

Criminals target social media and email to steal information



This is particularly common in real estate transactions because sensitive data (e.g., social security and bank account numbers, wire instructions) is often sent electronically.

[DO NOT BE THE NEXT VICTIM OF WIRE FRAUD!]

Money wired to a fraudulent account is stolen money that usually is unrecoverable and not covered by insurance.

Verify

Before you wire funds to anyone, personally meet them or call a verified telephone number (not the telephone number in an email) to confirm, both before and after you act!

Notify

Immediately notify your banking institution, governmental officials, and Settlement/Title Company if you believe you are a victim of wire fraud.

Protect yourself from wire fraud in real estate transactions by...

Verifying Instructions

Verify emailed wire instructions by immediately calling your trusted escrow officer.

DO NOT Respond To Emails Seeking Personal/Financial Information

Verify by calling an escrow officer immediately.

Only Trust Your Known Source Of Information

Never direct, accept or allow anyone in the transaction to consent to accept or change wire transfer instructions without first making a direct personal telephone call to verify the identity of the individual providing those instructions.

It is imperative that this verification call be made only to a number which you previously obtained in person (or through other reliable means) from the individual you know and trust; NOT from a number provided in a subsequent email or wiring instructions.