CUSTOMER APPLICATION CHECKLIST

Please complete and return the items indicated below. You may also apply online through Capitol Federal's web site at www.capfed.com.

EXECULINE LINE OF CREDIT

_____ Complete the "Home Equity Loan Application" in its entirety and return it to us. Remember to sign and date the application. Complete the names, addresses, and loan numbers of other creditors, including creditors to be paid off with the proceeds of this loan.

_____ Complete, sign, date and return the "Borrower's Certification & Authorization" form.

_____ Sign, date and return one copy of the "Home Equity Line of Credit Early Disclosure." Retain the other copy and the "Federal Reserve Board Consumer Handbook" disclosure for your records.

_____ A copy of the "Debt Protection Execuline Lines of Credit" Fact Sheet is provided for your information (not applicable for Interest Only Lines of Credit).

_____ Review, sign and return the Financial Conditions Certification.

_____ Sign, date and return the "Notice of Right to Receive a Copy of Appraisal" (Note: This disclosure is required only if a new appraisal is obtained for this loan or if an existing appraisal previously obtained by Capitol Federal is being used. Use of the county valuation does not require this disclosure).

_____ ***Full Time Hourly/Salary Income:*** Copies of at least 30 days of recent pay stubs for each applicant and previous **two** year's W-2's

_____ ***Part Time Hourly/Salary Income:*** Copies of at least 30 days of recent pay stubs for each applicant and previous **two** year's W-2's

_____ ***Retirement/Social Security Income:*** Benefit award letter, two years 1099's and most recent quarterly retirement statement with all attached pages

_____ ***Self-Employment/Rental Income:***

____ Two years personal tax returns with all attached schedules

____ Two years business tax returns with all attached schedules and K1's (if applicable)

____ Signed year-to-date profit and loss statement for most recent month end

____ Most recent two months business account(s) statements

____ Current signed lease agreement for all rental properties

_____ A copy of your first mortgage document (deed of trust if in Missouri) and promissory note, if that loan is not with Capitol Federal.

_____ A copy of your first mortgage statement, if that loan is not with Capitol Federal.

_____ A copy of your closing disclosure/settlement statement if property is owned less than one year.

_____ If the property securing this loan is under the ownership of a trust, please notify the Loan Originator. A Certification of Trust will be required, in lieu of providing a copy of the Trust agreement.

Picture identification is REQUIRED for ALL parties before the loan closing can be completed. This documentation cannot be expired. Remember to bring this documentation not later than at loan closing.

Thank you for requesting home equity loan information from Capitol Federal. We look forward to the opportunity to assist with your financing needs. If you have any questions please, contact us.

BORROWER'S CERTIFICATION & AUTHORIZATION

Certification

The undersigned certify the following:

1. I/We have applied for a mortgage loan from **Capitol Federal Savings Bank** ("Lender"). 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 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 Lender 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 Lender. As part of the application process, Lender and the mortgage guaranty insurer (if any) may verify 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 Lender and to any investor to whom Lender may sell my mortgage, and to the mortgage guaranty insurer (if any), 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. Lender or any investor that purchases the mortgage or the mortgage guaranty insurer (if any) may address this authorization to any party named in the loan application.
4. A copy of this authorization may be accepted as an original.
5. Your prompt reply to Lender, the investor that purchased the mortgage, or the mortgage guaranty insurer (if any) is appreciated.
6. Mortgage guaranty insurer (if any):

Borrower **DATE**

Borrower **DATE**

Capitol Federal®

FINANCIAL CONDITIONS CERTIFICATION

Loan Number:

Borrower(s):

Property Address:

Congratulations on your decision to apply for a home equity loan with Capitol Federal Savings. Whether you are a new or long time homeowner, we understand that the process of home financing may be stressful. Your mortgage and note will establish a long-term financial obligation that needs to be reasonable for you based upon your financial circumstances, *i.e.,* your ability to repay. As the lender, it is important for us to obtain a clear and accurate understanding of your financial condition and any expected future changes that may impact your ability to repay the loan on this home.

As the borrower(s) I/we understand that the loan application must list all outstanding debts, obligations and/or liabilities for each loan applicant. It is my/our duty to update this information if any change occurs in my/our financial situation, including changes in liabilities (debts) as well as changes or anticipated changes in employment status, like a job layoff, salary change, or modification in pay status from salary to commissions.
The lender is required to monitor the borrower(s) credit report information up to and including the day of loan closing. Increases in liability balances and/or additional liabilities incurred can delay the loan closing or jeopardize the loan approval entirely. The lender strongly urges borrower(s) not to:

- Change jobs without inquiring about the impact on the loan approval.
- Apply for or obtain new credit lines (credit cards, signature loans, retail cards, store discounts/credit offers, car purchase).
- Co-sign or guarantee loans for anyone, including student loans.

Should a change in liabilities or obligations be unavoidable, please contact your loan originator before taking any action. If you do apply for additional credit, increase your monthly debts, have a change in employment or anticipate a change in employment, please notify your loan originator immediately. You must disclose all information even if it is not discovered by the lender.

All applicants will be required to sign an affidavit at closing stating that:

1. My/our financial condition has not changed since the loan application was submitted.

2. I/we are not aware of any changes to my/our circumstances that could negatively impact my/our ability to repay this loan, *i.e.,* job layoff, pending loan applications, change in sources of income or method of payment, etc.

3. I/we have provided the lender a true, accurate and complete listing of all my/our liabilities and debt obligations.

_____ Date _____ Date

MEMBER FDIC EQUAL HOUSING LENDER

IMPORTANT TERMS OF OUR HOME EQUITY LINE OF CREDIT

Property Address:	Lender: Capitol Federal Savings Bank NMLS Company Identifier: 401936 NMLS Originator Identifier:
Loan Number:	

This disclosure contains important information about our home equity line of credit ("Account"). You should read it carefully and keep a copy for your records.

Availability of Terms: All of the terms described below are subject to change. If 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 you paid to us or anyone else in connection with your application.

Security Interest: We will take a security interest in your home (collateral). You could lose your home if you do not meet the obligations in your Agreement with us.

Possible Actions: We can terminate your Account, require you to pay us the entire outstanding balance in one payment and charge you certain fees if:

- You engage in fraud or material misrepresentation in connection with the Account, and/or
- You do not meet the repayment terms, and/or
- Your action or inaction adversely affects the collateral or our rights in the collateral.

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

- The value of the dwelling securing the Account declines significantly below its appraised value for purposes of the Account, and/or
- We reasonably believe you will not be able to meet the repayment requirements due to a material change in your financial circumstances, and/or
- You are in default of a material obligation in the Agreement, and/or
- Government action prevents us from imposing the Annual Percentage Rate provided for or impairs our security interest such that the value of the interest is less than 120 percent of the credit line, and/or
- The maximum Annual Percentage Rate is reached, and/or
- A regulatory agency has notified us that continued advances would constitute an unsafe and unsound Practice.

As provided in the initial Agreement, we can make changes to the terms of the Agreement at specified times or upon the occurrence of specified events.

Minimum Payment Requirements: You can obtain advances of credit for 7 years (the "Draw Period"). During the Draw Period, payments will be due monthly. Your minimum monthly payment will be equal to the greater of 1.500% of the outstanding principal balance of your Account as of the closing date of each billing statement or $50.00, unless your unpaid balance is less than the latter amount, in which case your minimum payment will be that amount.

After the draw period ends, you will no longer be able to obtain credit advances and must repay the outstanding balance over 10 years (the "Repayment Period"). During the Repayment Period, payments will be due monthly.

Your minimum monthly payment during the Repayment Period will be determined based upon the outstanding balance of your Account at the beginning of the Repayment Period. We will use the interest in effect at the beginning of the Repayment Period to calculate equal monthly payments which will fully amortize your Account.

Minimum Payment Example: If you made only the minimum monthly payments and took no other credit advances, it would take 17.00 years to pay off a credit advance of $10,000.00 at an ANNUAL PERCENTAGE RATE of 4.000%. During the Draw Period, you would make 84 monthly payments varying between $150.00 and $56.63. During the Repayment Period, you would make 120 monthly payments of $37.78.

Fees and Charges: To open and maintain an account, you must pay the following fees:

Application Fee:	$0.00	(due at application)
Origination Fee:	$0.00	(due when account is opened)
Annual Fee:	$0.00	(due each year beginning on the first anniversary of opening the account)

You may also be required to pay certain fees to third parties to open an Account. These fees generally total between $0.00 and $500.00. If you ask, we will give you an itemization of the fees you will have to pay to third parties.

A recapture fee of $150.00 may be assessed if the Account is paid off and closed less than three years from the origination date of the Account.

Lender is not obligated to accept a credit advance that will increase the outstanding principal balance above the credit limit. In the event Lender accepts a credit advance that increases the outstanding principal balance above the credit limit, the Lender may assess an “over the credit limit fee” of $25.00.

Minimum Draw Requirement: There is no minimum amount for a credit advance for the Account.

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

Variable Rate Feature: The Account has a variable rate feature, and the Annual Percentage Rate (corresponding to the periodic rate) and the minimum monthly payment can change as a result. The Annual Percentage Rate includes only interest and no other costs. The Annual Percentage Rate is based on the value of an index. The Index is Prime (WSJ) and is published in the Wall Street Journal. To determine the Annual Percentage Rate that will apply to your Account, we add a margin to the value of the index. Ask us for the current index value, margin, and Annual Percentage Rate. After you open an Account, rate information will be provided on periodic statements that we provide to you.

Rate Changes: The Annual Percentage Rate can change monthly. The maximum ANNUAL PERCENTAGE RATE that can apply is 18.00%. Apart from this rate "cap," there is no limit on the amount by which the rate can change during any one-year period, except that under no circumstances will the rate ever be less than 4.000% per annum.

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 $10,000.00, the minimum monthly payment would be $150.00. This maximum ANNUAL PERCENTAGE RATE could be reached during the first month of the draw period. If you had an outstanding balance of $10,000.00 at the beginning of the repayment period, the minimum monthly payment at the maximum ANNUAL PERCENTAGE RATE of 18.00% would be $180.19. This Annual Percentage Rate could be reached during the first month of the repayment period.

Historical Example: The following table shows how the ANNUAL PERCENTAGE RATE and the minimum monthly payments for a single $10,000.00 credit advance would have changed based on changes in the index over the past 15 years. The index values are from the last business day of July of each year. While only one payment amount per year is shown, payments during the Repayment Period would have varied during each year. The table assumes an outstanding balance of $10,000.00, no additional credit advances were taken, that only the minimum payments were made, and that the rate remained constant during each year. It does not necessarily indicate how the index or your payments will change in the future.

Year	Index	Margin*	ANNUAL PERCENTAGE RATE	Minimum Periodic Payment
2006	8.250%	0.500%	8.750%	$150.00
2007	8.250%	0.500%	8.750%	$136.70
2008	5.000%	0.500%	5.500%	$124.58
2009	3.250%	0.500%	4.000%	$109.87
2010	3.250%	0.500%	4.000%	$95.43
2011	3.250%	0.500%	4.000%	$82.90
2012	3.250%	0.500%	4.000%	$72.01 1/
2013	3.250%	0.500%	4.000%	$42.22
2014	3.250%	0.500%	4.000%	$42.22
2015	3.250%	0.500%	4.000%	$42.22
2016	3.500%	0.500%	4.000%	$42.22
2017	4.250%	0.500%	4.750%	$43.15
2018	5.000%	0.500%	5.500%	$43.94
2019	5.250%	0.500%	5.750%	$44.15
2020	3.250%	0.500%	4.000% **	$43.01

* This is a margin we have used recently.

** This rate reflects the lifetime floor.

1/ Draw period ends on the 7th year.

By signing below, you hereby acknowledge receipt of this "Important Terms of Our Home Equity Line of Credit" Disclosure and a copy of the Consumer Financial Protection Bureau brochure “What You Should Know About Home Equity Lines of Credit” on the date indicated next to your signature.

ACKNOWLEDGEMENT OF RECEIPT

I/we received a copy of this notice.

Borrower Date

Co-Borrower Date

Capitol Federal®

Notice of Right to Receive A Copy of Appraisal

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.

You will be provided a copy of each appraisal or written valuation concerning this property promptly upon completion, or three (3) business days prior to the time you become contractually obligated on the transaction, whichever is earlier.

Please initial the applicable statement:

_____ I/We wish to receive a copy of the appraisal report or valuation no less than three (3) business days prior to closing of my/our loan.

_____ I/We wish to waive my/our rights to have a minimum of three (3) business days after receipt to review the appraisal report or valuation prior to the closing of the my/our loan.

Acknowledgement

By signing below, you hereby acknowledge reading and understanding all of the information disclosed above, acknowledge placing your initials in the applicable statement above and receiving a copy of this disclosure.

_____ _____

Date Date

DEBT PROTECTION
Execuline Lines of Credit

Protect Your Family's Home from the Unforeseen
Debt Protection is designed to waive your line of credit balance or make payments on your behalf in the event of your death or disability. This can mean welcome relief from extra financial strain for your family in a time of sudden hardship. Why do homeowners need debt protection?

- Unintentional injuries were the fourth-leading cause of death in the U.S. in 2013. (National Vital Statistics Report, Dated February 16, 2016, Centers for Disease Control and Prevention, p. 1.)
- There are, on average, fifteen unintentional injury deaths each hour in the U.S. (Calculated from data in the National Vital Statistics Report, Dated February 16, 2016, p. 5.)

BENEFITS OF DEBT PROTECTION

- Convenient – The cost of protection is included in the monthly payment
- Protection is activated even when other insurance is in force
- Helps reduce financial risk
- Helps provide security and peace of mind for you and your family
- Helps protect your credit standing

ELIGIBILITY

- The applicant is a natural person (not a partnership, corporation or association);
- The applicant requests and agrees to pay the protection fee for the protected event elected and shown in the schedule;
- Qualified applicants between the ages of **18 and 65**; and
- The applicant is a borrower or co-borrower. Maximum of two borrowers per loan.

QUALIFIED LOANS

- Execuline Lines of Credit

PLAN TYPE

- Accidental Death, Accidental Disability and Critical Period Death.

COVERAGES

- Accidental Death: Maximum protected balance of $100,000
- Accidental Disability: Maximum of 6 cancelled monthly payments per occurrence of accidental disability for a total maximum of 12 cancelled payments for an amount up to the lesser of (1) the minimum monthly payment, (2) 2% of the outstanding balance or (3) $1,000.
- Critical Period Death: Maximum of 6 cancelled monthly payments in the event of death for an amount up to the lesser of (1) the minimum monthly payment, (2) 2% of the outstanding balance or (3) $1,000.

EXCLUSIONS

- Intentionally self-inflicted injury;
- War or any act of war;
- Use of any drug, sedative or narcotic, unless as prescribed by a licensed treating physician;
- Flight in a non-scheduled aircraft, unless as a fare-paying passenger or crew member on a regularly-scheduled commercial airline;
- Use of alcohol or any other intoxicants; and
- Participation in a riot or commission of an assault or felony.
- Suicide;
- Sickness, illness, disease or treatment of disease, or any medical treatment unless for the direct and necessary treatment of the accidental injury; and
- Infection, unless the infection is the direct result of the accidental injury.

TERMINATION
Protection terminates when the first of the following occurs:

- The expiration date shown in the schedule;
- The date you reach age 66;
- The protection fee remains unpaid 90 days after the due date;
- The date the loan is considered in default or is subject to charge off;
- The date the loan collateral has been repossessed;
- The date the loan is discharged, paid off or refinanced, including discharge by cancellation of a protected balance;
- The loan is transferred to a non-affiliated creditor and is no longer serviced by the creditor;
- 60 days after notification the protection is being terminated;
- When the maximum amount of protection shown in the schedule has been cancelled due to a protected event;
- Any borrower commits a fraudulent action relative to this agreement; or
- The borrower requests termination in writing.

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 CPFB's website at consumerfinance.gov/owning-a-home to access interactive tools and resources for mortgage shoppers, which are expected to be available beginning in 2014.

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1. Introduction

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

1.1 Home equity plan checklist

Ask your lender to help you fill out this worksheet.

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

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

2. What is a home equity line of credit?

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

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

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

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

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

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

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

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

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

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

2.1.1 Variable interest rates

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

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

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

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

2.2 Costs of establishing and maintaining a home equity line

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

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

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

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

2.3 How will you repay your home equity plan?

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

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

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

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

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

2.4 Line of credit vs. traditional second mortgage loans

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

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

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

2.4.1 Disclosures from lenders

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

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

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

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

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

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

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

APPENDIX A:

Defined terms

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

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

CLOSING OR SETTLEMENT COSTS	Fees paid when you close (or settle) on a loan. These fees may include application fees; title examination, abstract of title, title insurance, and property survey fees; fees for preparing deeds, mortgages, and settlement documents; attorneys' fees; recording fees; estimated costs of taxes and insurance; and notary, appraisal, and credit report fees. Under the Real Estate Settlement Procedures Act, the borrower receives a good faith estimate of closing costs within three days of application. The good faith estimate lists each expected cost as an amount or a range.
CREDIT LIMIT	The maximum amount that may be borrowed on a credit card or under a home equity line of credit plan.
EQUITY	The difference between the fair market value of the home and the outstanding balance on your mortgage plus any outstanding home equity loans.
INDEX	The economic indicator used to calculate interest-rate adjustments for adjustable-rate mortgages or other adjustable-rate loans. The index rate can increase or decrease at any time. See also Selected index rates for ARMs over an 11-year period (consumerfinance.gov/f/201204_CFPB_ARMs-brochure.pdf) for examples of common indexes that have changed in the past.
INTEREST RATE	The percentage rate used to determine the cost of borrowing money, stated usually as a percentage of the principal loan amount and as an annual rate.
MARGIN	The number of percentage points the lender adds to the index rate to calculate the adjustable-rate-mortgage interest rate at each adjustment.
MINIMUM PAYMENT	The lowest amount that you must pay (usually monthly) to keep your account in good standing. Under some plans, the minimum payment may cover interest only; under others, it may include both principal and interest.

POINTS (ALSO CALLED DISCOUNT POINTS)	One point is equal to 1 percent of the principal amount of a mortgage loan. For example, if a mortgage is $200,000, one point equals $2,000. Lenders frequently charge points in both fixed-rate and adjustable-rate mortgages to cover loan origination costs or to provide additional compensation to the lender or broker. These points usually are paid at closing and may be paid by the borrower or the home seller, or may be split between them. In some cases, the money needed to pay points can be borrowed (incorporated in the loan amount), but doing so will increase the loan amount and the total costs. Discount points (also called discount fees) are points that you voluntarily choose to pay in return for a lower interest rate.
SECURITY INTEREST	If stated in your credit agreement, a creditor, lessor, or assignee's legal right to your property (such as your home, stocks, or bonds) that secures payment of your obligation under the credit agreement. The property that secures payment of your obligation is referred to as "collateral."
TRANSACTION FEE	Fee charged each time a withdrawal or other specified transaction is made on a line of credit, such as a balance transfer fee or a cash advance fee.
VARIABLE RATE	An interest rate that changes periodically in relation to an index, such as the prime rate. Payments may increase or decrease accordingly.

APPENDIX B:

More information

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

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

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

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

APPENDIX C:

Contact information

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

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

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

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

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