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SECURITY CODE: Country2022

What to Expect when Applying for an Equity Line of Credit

Stage 1

- Submit your application (online or at a branch) and provide all the required documents listed on the "Information Needed at the Time of Application" form provided in the application packet.

Stage 2

- Country Bank will order the property valuation to arrive at the market value.
- Once the property valuation is in, the Bank will analyze your income, credit and appraisal to arrive at a loan decision.
- Once your loan application is approved, the Bank will issue the Commitment Letter.

Stage 3

- Once you have received your Commitment Letter, you must sign it and return it to the Bank with any pre-closing conditions.
- When all pre-closing conditions are met, you will be contacted to schedule an appointment to close loan.

Stage 4

- You will meet with a member of Country Bank's managment team to sign the closing papers.
- After three (3) business days have passed (known as the Rescission Period), you can access your line of credit by using checks that will be provided to you. You can choose to have the checks mailed or you can pick them up at your local Country Bank branch.

An Equity Line of Credit application will normally take 2-3 weeks from application to funding.
Application times may vary based on individual situations.

APPRAISAL NOTICE

Date:

APPLICANT(S) NAME AND ADDRESS ("You," "Your")	LENDER NAME AND ADDRESS ("We")
	Country Bank for Savings 75 Main Street Ware, MA 01082

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.

By signing below, Applicant acknowledges receipt of this Appraisal Notice.

No Signature Required
Applicant Date

No Signature Required
Applicant Date

No Signature Required
Applicant Date

No Signature Required
Applicant Date

No Signature Required
Applicant Date

No Signature Required
Applicant Date

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Important Information About Procedures For Opening A New Account

To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify and record information that identifies each person who opens an account.

What this means for you: When you open an account, we will ask for your name, address, date of birth, and other information that will allow us to identify you. We may also ask to see your driver's license or other identifying documents.

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75 Main Street
Ware, MA 01082-2003

DISCLOSURE REQUIRED BY MASSACHUSETTS GENERAL LAWS CHAPTER 184, §17B

1. The responsibility of the attorney for the mortgagee is to protect the interest of the mortgagee.

2. Mortgagors may, at their own expense, engage an attorney of their selection to represent their interests in the transaction.

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Rev. 09/2018

FACTS	WHAT DOES Country 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?	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 income ■ account balances and payment history ■ credit history and credit scores When you are *no longer* our customer, we continue to share your information as described in this notice.
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 Country Bank chooses to share; and whether you can limit this sharing.

Reasons we can share your personal information	Does Country 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	Yes	No
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 800-322-8233 or go to www.countrybank.com or stop by any branch location.

Who we are	
Who is providing this notice?	**Country Bank**

What we do	
How does Country 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. In addition, our employees are bound by a code of ethics requiring confidential treatment of customer information.
How does Country Bank collect my personal information?	We collect your personal information, for example, when you ■ open an account or deposit money ■ pay your bills or apply for a loan ■ use your debit card We also collect your personal information from others, such as credit bureaus, affiliates, or other companies
Why can't I limit all sharing	Federal law gives you the right to limit only ■ 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 nonfinancial companies. ■ *Country Bank has no affiliates.*
Nonaffiliates	Companies not related by common ownership or control. They can be financial and nonfinancial companies. ■ *Country Bank does not share with our nonaffiliates so they can market to you.*
Joint marketing	A formal agreement between nonaffiliated financial companies that together market financial products or services to you. ■ *Our joint marketing partners can include companies such as other banks and insurance companies.*

Other important information

We will not share any information derived from deposit relationships with us about customers who reside in Massachusetts.

Connecting All Offices 800-322-8233
countrybank.com

COUNTRY BANK
75 MAIN STREET
WARE, MA 01082
(800)-322-8233

COUNTRY BANK HOME EQUITY LINE OF CREDIT

This disclosure contains important information about our Home Equity Line of Credit. 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 that you paid to us or anyone else in connection with your application.

Security Interest: We will take a mortgage on your home. You could lose your home if you do not meet the obligations in your agreement with us.

Possible Actions: Under certain circumstances, we may (1) terminate your line and require you to pay us the entire outstanding balance in one payment and may impose fees upon termination; (2) refuse to make additional extensions of credit; and (3) reduce your credit limit. We can terminate your account and require you to pay us the entire outstanding balance in one payment if:

- You engage in fraud or material misrepresentation in connection with the line.
- You do not meet the repayment terms.
- 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 line declines significantly below its appraised value for purposes of the line.
- We reasonably believe you will not be able to meet the repayment requirements due to a material change in your financial circumstances.
- You are in default of a material obligation in the agreement.
- 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.
- A regulatory agency has notified us that continued advances would constitute an unsafe and unsound practice.
- The maximum **Annual Percentage Rate** is reached.

Minimum Payment Requirements: You can obtain credit advances for 10 year (s) (the "draw period"). During this period, payments will be due monthly. Your minimum monthly payment will equal the amount of accrued interest only. The minimum monthly payments during the draw period will not reduce the principal that is outstanding on your line.

After the draw period ends, you will no longer be able to obtain credit advances and must repay the outstanding balance during a repayment period (the "repayment period"). The length of the repayment period is 15 years. During the repayment period, principal and interest payments will be due monthly and will equal 1/180th of the outstanding balance on your line on the last day of the billing cycle of the draw period plus accrued finance charges.

Minimum Payment Example:
Home Equity Line of Credit: If you made only the minimum monthly payment and took no other credit advances, it would take 25 year(s) to pay off a credit advance of $10,000 at an **Annual Percentage Rate** of 3.250%. During that period you would make 120 payments varying between $68.75 and $27.08 followed by 180 payments varying between $ $94.45 and $54.91.

High Loan-to-Value Home Equity Line of Credit: If you made only the minimum monthly payment and took no other credit advances, it would take 25 year(s) to pay off a credit advance of $10,000 at an **Annual Percentage Rate** of 4.750%. During that period you would make 120 payments varying between $81.25 and $39.58 followed by 180 payments varying between $ $106.12 and $54.98.

Appraisal Costs: For loan requests less than $250,000.00, if the Bank is unable to determine a value using our standard method, you have the option to pay for a full appraisal. The current cost for a full appraisal is $425.00 for a single family property or $575.00 for a 2-4 family property.

For loan requests equal to or greater than $250,000.00, the Bank requires a full appraisal be completed on your home to determine the value. The current cost for a full appraisal is $425.00 for a single family property or $575.00 for a 2-4 family property. The appraisal fee must be paid at time of application.

Closing costs: For loan requests less than $250,000.00, the standard closing and recording costs will be paid by the Bank. You will be responsible for any fee(s) associated with delivering clear, marketable, and insurable title, including but not limited to discharge fees and/or any fees to establish or maintain a Homestead Act.

For loan requests equal to or greater than $250,000 or for properties where title will be held in the name of a trust, the Bank requires a full title exam, title policy, and title certification at your expense. You will be responsible for any fee(s) associated with delivering clear, marketable, and insurable title, including but not limited to discharge fees and/or any fees to establish or maintain a Homestead Act.

You will be required to close with an attorney. You are responsible for any and all attorney fees and closing costs incurred, with the exception of the standard mortgage recording costs which will be paid by the Bank. Closing costs will range from $1,763 to $1,945 and will vary based on the line amount requested and the attorney you choose to conduct the closing.

Early Termination Fee: You agree to pay an Early Termination Fee of $500.00 if the line of credit (and any Fixed Rate Term Out Loan(s) associated with the line of credit) is closed and discharged within thirty-six (36) months from the date of the Home Equity Line Agreement and Note.

The Early Termination Fee may be waived for those lines of credit that:

a) refinance with Country Bank; or
b) are terminated due to the sale of the property, provided the financing on the new primary residence is done through Country Bank and the closings on the new residence and the sale of the existing residence are occurring at the same time.

Annual Maintenance Fee: An annual maintenance fee of $50.00 will be assessed on the anniversary date of your account regardless of whether or not you use the account. This fee will be waived if, on your anniversary date, you have a Country Bank Free Checking or Country Bank Kasasa Cash® Checking and at least four (4) services with us. Services include: Online banking, eStatements, Mobile Banking, Statement Savings, Money Market, Debit or ATM card, Direct Deposit into your Country Bank checking account or Country Bank Kasasa Cash® Checking, eBills, or Automatic Payment from your Country Bank checking account or Country Bank Kasasa Cash® Checking.

Late Charge: If the required monthly payment amount is received more than fifteen (15) days late, Borrower(s) will be charged a late charge of ten percent (10%) of the required monthly payment amount or $10.00, whichever is less. No more than one (1) late charge will be imposed on any single payment.

Insurance Requirements: You must maintain adequate homeowners insurance on the property at all times until the Account is paid in full.

Refundability of Fees: If you decide not to enter into this plan within three days of receiving this disclosure and the Home Equity booklet, you are entitled to a refund of any fee you may have already paid.

Minimum Draw Requirements: The minimum credit advance that you can receive is $500. The minimum initial credit advance must be at least $500.

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

Variable Rate Features: This plan 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 the highest Prime rate published in the Wall Street Journal's Consumer Money Rates table PLUS an applicable margin.

For a Home Equity Line of Credit*, the **Annual Percentage Rate** will be the highest Prime Rate published in the Wall Street Journal's Consumer Money Rates table plus a Margin of zero (0%) percent.

For a High Loan-to-Value Home Equity Line of Credit**, the **Annual Percentage Rate** will be the highest Prime Rate published in the Wall Street Journal's Consumer Money Rates table plus a Margin of one and one-half percent (1 ½%).

*Home Equity Line of Credit has a maximum Loan-to-Value of 80%.
**High Loan-to-Value Home Equity Line of Credit has a Loan-to-Value range between 80.01 to 95%. Maximum loan amount is $250,000. Prime + the Margin pricing is in effect for the life of the Line of Credit and any Fixed Rate Term Out Loan(s). High Loan-to-Value Home Equity Line of Credit applications are subject to additional credit and underwriting criteria.

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.

Rate Changes: The **Annual Percentage Rate** can change monthly. There is no limit on the amount by which the rate can change in any one year period. The maximum **Annual Percentage Rate** that can apply during the plan is 18%.

Maximum Rate and Payment Examples: If you had an outstanding balance of $10,000 at the beginning of the draw period, the minimum monthly payment at the maximum **Annual Percentage Rate** of 18% would be $150. The maximum **Annual Percentage Rate** during the draw period could be reached in the first month.

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% would be $205.55. The maximum **Annual Percentage Rate** during the repayment period could be reached in the first month.

Historical Examples: The following table shows how the **Annual Percentage Rate** and the minimum payments for a single $10,000 credit advance would have changed based on changes in the index over the last 15 years. The index values are from the first business day of August. While only one payment amount per year is shown, payments would have varied during each year of the repayment period. The table assumes that no additional credit advances were taken, that only the minimum payment was made, and that the rate remained constant during each year. It does not necessarily indicate how the index or your payments would change in the future.

Home Equity Line of Credit:

Year	Index	% Margin*	Annual Percentage Rate	Minimum Monthly Payment	
2007	8.250	0.000	8.250	$68.75	
2008	5.000	0.000	5.000	$41.67	Draw Period
2009	3.250	0.000	3.250	$27.08	
2010	3.250	0.000	3.250	$27.08	
2011	3.250	0.000	3.250	$27.08	
2012	3.250	0.000	3.250	$27.08	
2013	3.250	0.000	3.250	$27.08	
2014	3.250	0.000	3.250	$27.08	
2015	3.250	0.000	3.250	$27.08	
2016	3.500	0.000	3.500	$29.17	
2017	4.250	0.000	4.250	$90.98	Repayment Period
2018	5.000	0.000	5.000	$94.45	
2019	5.250	0.000	5.250	$93.48	
2020	3.250	0.000	3.250	$77.23	
2021	3.250	0.000	3.250	$75.42	

*This is margin based on Home Equity Line of Credit with a Loan-to-Value of 80% or less

High Loan-to-Value Home Equity Line of Credit:

Year	Index	% Margin*	Annual Percentage Rate	Minimum Monthly Payment	
2007	8.250	1.500	9.750	$81.25	
2008	5.000	1.500	6.500	$54.17	Draw Period
2009	3.250	1.500	4.750	$39.58	
2010	3.250	1.500	4.750	$39.58	
2011	3.250	1.500	4.750	$39.58	
2012	3.250	1.500	4.750	$39.58	
2013	3.250	1.500	4.750	$39.58	
2014	3.250	1.500	4.750	$39.58	
2015	3.250	1.500	4.750	$39.58	
2016	3.500	1.500	5.000	$41.67	
2017	4.250	1.500	5.750	$103.48	Repayment Period
2018	5.000	1.500	6.500	$106.12	
2019	5.250	1.500	6.750	$104.31	
2020	3.250	1.500	4.750	$87.23	
2021	3.250	1.500	4.750	$84.59	

*This is margin based on Home Equity Line of Credit with a Loan-to-Value of more than 80%

Fixed Rate Term Out Loans: The Borrower(s) may, until the termination of the Home Equity Line of Credit Agreement and Note, borrow all of the Credit Limit on a Fixed Rate Term Out Loan basis provided that the Home Equity Line of Credit is not in default or has not been in default within the past 12 months (over 30 days late). You may not have more than three (3) Fixed Rate Term Out Loan advances outstanding at any one time. Each Fixed Rate Term Out Loan advance must be for at least $5,000.00. You may request a Fixed Rate Term Out Loan advance only by requesting the advance from our loan department, 15 South Street, Ware, MA 01082, 1-800-322-8233, or a Country Bank Branch office, either verbally or in writing. Each borrower shall then receive and execute a Loan Note evidencing and disclosing all of the terms and provisions of each Fixed Rate Term Out Loan, including the Fixed **Annual Percentage Rate**. The amount of the Credit Limit shall be reduced by the principal amount of the Fixed Rate Term Out Loan. The Home Equity Line of Credit Limit shall be increased by the amount of the principal payments made to the Fixed Rate Term Out Loan(s). If you choose to convert any portion of your balance to a Fixed Rate Term Out Loan, the Interest Rate of the Fixed Rate Term Out Loan(s) shall be the highest Prime Rate established in the Wall Street Journal's Consumer Money Rates table that is in effect at the date of the conversion plus a Margin.

The Margin will depend on whether the HELOC is a Home Equity Line of Credit or High Loan-to-Value Home Equity Line of Credit. However, if the Bank is offering a lower rate for a Fixed Rate Term Out Loan at the time of conversion, the lower rate will prevail.

For a Home Equity Line of Credit*, the Margins are:

5 Year	3.00% Above Prime
10 Year	3.50% Above Prime
15 Year	4.00% Above Prime
20 Year	4.50% Above Prime

*Home Equity Line of Credit has a maximum Loan-to-Value of 80%.

For a High Loan-to-Value Home Equity Line of Credit**, the Margins are:

5 Year	4.50% Above Prime
10 Year	5.00% Above Prime
15 Year	5.50% Above Prime
20 Year	6.00% Above Prime

**High Loan-to-Value Home Equity Line of Credit has a Loan-to-Value range between 80.01 to 95%. Maximum loan amount is $250,000. Prime + the Margin pricing is in effect for the life of the Line of Credit and any Fixed Rate Term Out Loan(s). High Loan-to- Value Home Equity Line of Credit applications are subject to additional credit and underwriting criteria. For High Loan-to-Value Home Equity Line of Credit loans, the interest rate for a Fixed Rate Term Out Loan will be one and one-half (1 ½%) percent higher than the Fixed Rate Term Out Loan rate being offered.

The maturity date of a Fixed Rate Term Out Loan shall not exceed the maturity date of the Home Equity Line of Credit.

The monthly payments under a Fixed Rate Term Out Loan shall consist of equal monthly payments of principal and interest amortized over the term of the loan.

Each Fixed Rate Term Out Loan shall be secured by the Mortgage and shall be subject to and governed by the terms and provisions of the Home Equity Line of Credit Agreement and Note. The Interest Rate for a Fixed Rate Term Out Loan may exceed the **Annual Percentage Rate** as determined in the Home Equity Line of Credit Agreement and Note.

This is not a commitment to make a loan

Fixed Rate Term Out Loan FAQ

Our unique Country Convertible option allows you to convert all or a portion of the balance of your Home Equity Line of Credit (HELOC) into a Fixed Rate Term Out Loan. You can establish up to three (3) different Fixed Rate Term Out Loans within your HELOC, and depending on the amount you have converted, still have funds available to draw against the HELOC. The amount of the HELOC will be reduced by the principal amount of the Fixed Rate Term Out Loan(s). The Fixed Rate Term Out Loan terms range from 5 to 20 years. Below please find commonly asked questions regarding the convertibility feature.

Common Questions and Answers:

1. **Can I have more than one Fixed Rate Term Out Loan?**

   A: Yes, you can have up to three Loans.

2. **Each month as I make my payment on the Fixed Rate Term Out Loan, will the principal amount be added back to the available balance on the line of credit?**

   A: Yes. The HELOC Credit Limit shall be increased by the amount of the principal payments made to the Fixed Rate Term Out Loan (s).

3. **Will the early termination fee apply to the Fixed Rate Term Out Loan?**

   A: Yes and No. There is no prepayment penalty on your loan. However, if you have converted all or a portion of your balance from your line of credit to a Fixed Rate Term Out Loan, and you want to pay-off and discharge your line and loans, then the early termination fee will apply (if the termination is within 3 years of origination) to the combined balances because you are closing out your HELOC.

4. **If I convert my HELOC during the middle of the month, what happens to the interest that has accrued from the beginning of the month on the HELOC?**

   A: You will receive a bill for that interest on your next monthly HELOC statement.

5. **Will I receive a separate bill for the Fixed Rate Term Out Loan?**

   A: Yes, you will receive a bill for each Fixed Rate Term Out Loan you have, plus you will receive a bill for the HELOC.

6. **If the rates for the Fixed Rate Term Out Loans drop, can I rewrite my loan to the lower rate?**

   A: Yes, and there is no penalty to do this; you will simply need to sign new paperwork for the lower rate.

7. **If I have a Fixed Rate Term Out Loan, but decide that I would prefer to go back to a HELOC, can this be done?**

   A: Yes, you would have to pay the interest that is due on the Fixed Rate Term Out Loan.

8. **Are there any fees to convert to a Fixed Rate Term Out Loan?**

   A: No, there are no fees.

9. **Is a new mortgage recorded at the Registry of Deeds?**

   A: No, since there is no new money being granted, we do not have to record a new mortgage at the Registry.

10. **Can I obtain a Fixed Rate Term Out Loan during the repayment period of the HELOC?**

    A: Yes, but the maturity date of the Fixed Rate Term Out Loan cannot exceed the maturity date of the HELOC.

11. **Can I combine Fixed Rate Term Out Loans?**

    A: Yes, but you cannot have more than 3 outstanding at one time.

Notice of Property Evaluation

Please be advised that your application for financing will require a property valuation. This valuation in keeping with federal Interagency Guidelines includes a brief evaluation of property condition. ***This notice is to inform you that an appraiser/property inspector will be driving by your property and possibly entering your driveway to take photos and make notations necessary to complete the required assessments***. Please let us know if the view of your home is hindered or if you have a gated entry or no trespassing signage as these may require special arrangements.

It is our pleasure to process your application for financing and we wish to make this a smooth and easy transaction. We appreciate your cooperation in obtaining the necessary information to process and approve your application. Please anticipate this evaluation to take place shortly after your application has been completed. As always, feel free to contact your representative with any questions or concerns at 800-322-8233.

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Credit Report Freeze FAQs

If you are concerned about identity theft, those reported mega-data breaches or someone gaining access to your credit report without your permission, you might consider placing a credit freeze on your report.

What is a credit freeze?

Also known as a security freeze, this tool lets you restrict access to your credit report, which in turn makes it more difficult for identity thieves to open new accounts in your name. That's because most creditors need to see your credit report before they approve a new account. If they cannot see your file, they may not extend the credit.

Does a credit freeze affect my credit score?

No. A credit freeze does not affect your credit score.

A credit freeze also does not:

- Prevent you from getting your free annual credit report;
- Keep you from opening a new account, applying for a job, renting an apartment or buying insurance. But if you are doing any of these, you will need to lift the freeze temporarily, either for a specific time or for a specific party, say, a potential landlord or employer. The cost and lead times to lift a freeze vary, so it is best to check with the credit reporting company in advance;
- Prevent a thief from making charges to your existing accounts. You still need to monitor all bank, credit card and insurance statements for fraudulent transactions.

Does a credit freeze stop prescreened credit offers?

No. If you want to stop receiving prescreened offers of credit, call 888-5OPTOUT (888-567-8688) or go online https://www.optoutprescreen.com/?rf=t. The phone number and website are operated by the nationwide credit reporting companies. You can opt out for five years or permanently. However, some companies send offers that are not based on prescreening, and your federal opt-out right will not stop those kinds of solicitations.

As you consider opting out, you should know that prescreened offers can provide many benefits, especially if you are in the market for a credit card or insurance. Prescreened offers can help you learn about what is available, compare costs and find the best product for your needs. Because you are pre-selected to receive the offer, you can be turned down only under limited circumstances. The terms of prescreened offers also may be more favorable than those that are available to the general public. In fact, some credit card or insurance products may be available only through prescreened offers.

Can anyone see my credit report if it is frozen?

Certain entities still will have access to it.

- Your report can be released to your existing creditors or to debt collectors acting on their behalf;
- Government agencies may have access in response to a court or administrative order, a subpoena or a search warrant.

How do I place a freeze on my credit reports?

Contact each of the nationwide credit reporting companies:

- Equifax - 1-800-349-9960
- Experian - 1-888-397-3742
- TransUnion - 1-888-909-8872

You will need to supply your name, address, date of birth, Social Security number and other personal information. Effective with a new law that went into effect September 21, 2018, there is no charge to place or lift a credit report freeze.

After receiving your freeze request, each credit reporting company will send you a confirmation letter containing a unique PIN (personal identification number) or password. Keep the PIN or password in a safe place. You will need it if you choose to lift the freeze.

How do I lift a freeze?

In a few states, credit freezes expire after seven years. In the vast majority of states, a freeze remains in place until you ask the credit reporting company to temporarily lift it or remove it altogether. A credit reporting company must lift a freeze no later than three business days after getting your request. The cost to lift a freeze varies by state.

If you opt for a temporary lift because you are applying for credit or a job, and you can find out which credit reporting company the business will contact for your file, you can save some money by lifting the freeze only at that particular company.

What's the difference between a credit freeze and a fraud alert?

A credit freeze locks down your credit. A fraud alert allows creditors to get a copy of your credit report as long as they take steps to verify your identity. For example, if you provide a telephone number, the business must call you to verify whether you are the person making the credit request. Fraud alerts may be effective at stopping someone from opening new credit accounts in your name, but they may not prevent the misuse of your existing accounts. You still need to monitor all bank, credit card and insurance statements for fraudulent transactions.

Three types of fraud alerts are available:

- **Initial Fraud Alert -** If you are concerned about identity theft, but have not yet become a victim, this fraud alert will protect your credit from unverified access for at least 90 days. You may want to place a fraud alert on your file if your wallet, Social Security card, or other personal, financial or account information are lost or stolen;
- **Extended Fraud Alert** - For victims of identity theft, an extended fraud alert will protect your credit for seven years;
- **Active Duty Military Alert** - For those in the military who want to protect their credit while deployed, this fraud alert lasts for one year.

To place a fraud alert on your credit reports, contact one of the nationwide credit reporting companies. A fraud alert is free. The company you call must tell the other credit reporting companies; they, in turn, will place an alert on their versions of your report.

******Credit Report Freeze FAQs provided by Federal Trade Commission – Consumer Information (consumer.ftc.gov)******

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.

Table of contents

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.

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