

HOME EQUITY LINE OF CREDIT (HELOC)

WHY NOT LET THE EQUITY IN YOUR HOME WORK FOR YOU?

Having equity in your home is a huge advantage of home ownership. You can use your equity for home improvements, tuition, debt consolidation, etc. Educational Systems Federal Credit Union makes the application process quick and easy for our Home Equity Line of Credit.

HOW MUCH CAN I BORROW?

You may apply to borrow up to 90% of your home's value minus your first mortgage balance, if any.

WHAT ARE THE RATES?

Our Home Equity Line of Credit has an Introductory Rate of 4.99% for the first six months. After the Introductory Period, the interest rate is determined by the Wall Street Journal Prime Rate with a +/- margin. The rate is variable and can change quarterly. The floor rate after the Introductory Period is 5.50% and the maximum rate is 12.00%. The line of credit is available for up to 10 Years (Draw Period) and an additional 15 Year Repayment Period. Monthly payments are 1.25% of the outstanding balance due on the 25th of each month.

ARE THERE ANY TAX ADVANTAGES?

Unlike most consumer loans and high interest credit cards, the interest you pay on a Home Equity Line of Credit may be tax deductible. Educational Systems Federal Credit Union recommends that you consult with your personal tax advisor.

ARE THERE CLOSING COSTS OR FEES INVOLVED?

There are no points or application fees. A property appraisal is required. The appraisal fee is paid upfront and is non-refundable. Closing costs vary and will depend on the location of the property and the amount of the loan. They range between \$800 and \$2,000.

Customary closing costs with a minimum advance of \$10,000 at closing will be paid by the Credit Union. The closing costs will be recouped by the Credit Union if the loan is paid off and closed within 36 months.

WHAT DOCUMENTS DO I NEED TO PROVIDE?

You will need to submit a complete application, two most recent pay stubs for each borrower (or equivalent income verification), a copy of a government issued ID for all borrowers, a copy of your monthly mortgage statement along with a copy of your Homeowner's Insurance Declarations page. Additional information may be required.

HOW LONG WOULD THE PROCESS TAKE?

Once all the required documentation is received, settlement generally occurs within 30 business days. Funds would then be disbursed after the required rescission period expires (3 business days).

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HOW DO I APPLY?

You can submit your application on our [Website](#). Supporting documentation can be uploaded online during the application process or the following methods:

- Email to mortgagecenter@esfcu.org
- Fax to 240.599.7421
- Mail - Educational Systems FCU, PO Box 179, Greenbelt, MD 20768-0179
- Bring to any Educational Systems FCU branch location

If you need assistance or have any questions, please contact us at **301.779.8500 ext. 5401**.

Interest Rate Information

We have an introductory rate special of 4.99% APR for the first six months.

Loan to Value Ratio	APR	Rate As Low As
< =75.00%	8.00%*	Prime - 0.50%
75.01% - 80.00%	8.50%*	Prime + 0.00%
80.01% - 85.00%	9.00%*	Prime + 0.50%
85.01% - 90.00%	9.50%*	Prime + 1.00%

* All rates are subject to change without prior notice. Rates and terms are based upon evaluation of applicant(s) credit. Your actual rate and margin may vary. The Annual Percentage Rate (APR) for these variable rate products is based upon the Wall Street Journal Prime Interest Rate rounded to the nearest 1/4% (Index), plus the applicable margin. WSJ Prime Rate as of 10.1.2023 = 8.50%. The maximum rate is 12.00% or the maximum permitted by law, whichever is less. The rate will never go below 5.50% APR (Floor) at any time during the term of the plan, except during a discount period. The interest rate can change quarterly, up or down, by a maximum of 1.00%. Homeowners insurance is required. Consult your tax advisor to determine whether the interest is tax deductible. Some restrictions may also apply.

Express Application

Individual Credit: You must complete the **Applicant** section about yourself and the **Other** section about your spouse if:
 1. you live in or the property pledged as collateral is located in a community property state (AK, AZ, CA, ID, LA, NM, NV, TX, WA, WI),
 2. your spouse will use the account, or
 3. you are relying on your spouse's income as a basis for repayment. If you are relying on income from alimony, child support, or separate maintenance, complete the **Other** section to the extent possible about the person on whose payments you are relying.

Joint Credit: Each Applicant must **individually** complete the appropriate section below. If Co-Borrower is spouse of the Applicant, mark the Co-Applicant box.

Guarantor: Complete the **Other** section if you are a guarantor on an account/loan.

Check below to indicate the type of account(s) and type of credit for which you are applying. **Married Applicants: May apply for a separate account.**

<input type="checkbox"/> Individual Credit	<input type="checkbox"/> Joint Credit	TYPE OF CREDIT REQUESTED:	<input type="checkbox"/> HOME EQUITY LINE OF CREDIT
			<input type="checkbox"/> FIXED RATE SECOND MORTGAGE
Amount Requested \$	TERM REQUESTED:		<input type="checkbox"/> 5 Years <input type="checkbox"/> 10 Years <input type="checkbox"/> 15 Years
Purpose:	Property Address:		

PAYMENT PROTECTION	Are you interested in having your loan protected? <input type="checkbox"/> Yes <input type="checkbox"/> No
If you answer "yes", the credit union will disclose the cost to protect your loan. The protection is voluntary and does not affect your loan approval. In order for your loan to be covered, you will need to sign a separate application that explains the terms and conditions.	

APPLICANT	<input type="checkbox"/> CO-APPLICANT <input type="checkbox"/> SPOUSE <input type="checkbox"/> OTHER
NAME	NAME
ACCOUNT NUMBER	ACCOUNT NUMBER
SOCIAL SECURITY NUMBER	DRIVER'S LICENSE NUMBER/STATE
BIRTH DATE HOME PHONE CELL PHONE BUSINESS PHONE/EXT.	BIRTH DATE HOME PHONE CELL PHONE BUSINESS PHONE/EXT.
EMAIL ADDRESS	EMAIL ADDRESS
PRESENT ADDRESS (Street - City - State - Zip)	<input type="checkbox"/> OWN <input type="checkbox"/> RENT
	LENGTH AT RESIDENCE
If residing at present address for less than 2 years, complete the following:	
PREVIOUS ADDRESS (Street - City - State - Zip)	<input type="checkbox"/> OWN <input type="checkbox"/> RENT
	LENGTH AT RESIDENCE
COMPLETE FOR JOINT CREDIT, SECURED CREDIT OR IF YOU LIVE IN A COMMUNITY PROPERTY STATE: <input type="checkbox"/> MARRIED <input type="checkbox"/> SEPARATED <input type="checkbox"/> UNMARRIED (Single - Divorced - Widowed)	
EMPLOYMENT/INCOME	
NAME OF EMPLOYER	NAME OF EMPLOYER
TITLE/POSITION/TYPE OF BUSINESS	TITLE/POSITION/TYPE OF BUSINESS
	STARTING DATE
IF EMPLOYED IN CURRENT POSITION LESS THAN TWO YEARS, COMPLETE PREVIOUS EMPLOYER NAME	
TITLE/POSITION/TYPE OF BUSINESS	TITLE/POSITION/TYPE OF BUSINESS
STARTING DATE	ENDING DATE
NOTICE: ALIMONY, CHILD SUPPORT, OR SEPARATE MAINTENANCE INCOME NEED NOT BE REVEALED IF YOU DO NOT CHOOSE TO HAVE IT CONSIDERED.	
EMPLOYMENT INCOME	OTHER INCOME
\$ _____ Per _____	\$ _____ Per _____
<input type="checkbox"/> NET <input type="checkbox"/> GROSS	SOURCE

OTHER	<input type="checkbox"/> CO-APPLICANT <input type="checkbox"/> SPOUSE <input type="checkbox"/> OTHER
NAME	NAME
ACCOUNT NUMBER	ACCOUNT NUMBER
SOCIAL SECURITY NUMBER	DRIVER'S LICENSE NUMBER/STATE
BIRTH DATE HOME PHONE CELL PHONE BUSINESS PHONE/EXT.	BIRTH DATE HOME PHONE CELL PHONE BUSINESS PHONE/EXT.
EMAIL ADDRESS	EMAIL ADDRESS
PRESENT ADDRESS Street - City - State - Zip)	<input type="checkbox"/> OWN <input type="checkbox"/> RENT
	LENGTH AT RESIDENCE
If residing at present address for less than 2 years, complete the following:	
PREVIOUS ADDRESS Street - City - State - Zip)	<input type="checkbox"/> OWN <input type="checkbox"/> RENT
	LENGTH AT RESIDENCE
COMPLETE FOR JOINT CREDIT, SECURED CREDIT OR IF YOU LIVE IN A COMMUNITY PROPERTY STATE: <input type="checkbox"/> MARRIED <input type="checkbox"/> SEPARATED <input type="checkbox"/> UNMARRIED (Single - Divorced - Widowed)	
EMPLOYMENT/INCOME	
NAME OF EMPLOYER	NAME OF EMPLOYER
TITLE/POSITION/TYPE OF BUSINESS	TITLE/POSITION/TYPE OF BUSINESS
	STARTING DATE
IF EMPLOYED IN CURRENT POSITION LESS THAN TWO YEARS, COMPLETE PREVIOUS EMPLOYER NAME	
TITLE/POSITION/TYPE OF BUSINESS	TITLE/POSITION/TYPE OF BUSINESS
STARTING DATE	ENDING DATE
NOTICE: ALIMONY, CHILD SUPPORT, OR SEPARATE MAINTENANCE INCOME NEED NOT BE REVEALED IF YOU DO NOT CHOOSE TO HAVE IT CONSIDERED.	
EMPLOYMENT INCOME	OTHER INCOME
\$ _____ Per _____	\$ _____ Per _____
<input type="checkbox"/> NET <input type="checkbox"/> GROSS	SOURCE

REAL ESTATE OWNED		Check box for Applicant/Other.			
APPLICANT	OTHER	LIST addresses of your home and all other properties you own. For Example: House, Land, Timeshare, etc.	MARKET VALUE	PLEGDED AS COLLATERAL FOR ANOTHER LOAN	
		HOME*	\$	YES	NO
			\$	YES	NO
			\$	YES	NO

*LIST ALL LIENS AGAINST YOUR HOME -- This section must be completed for the property which will be given as security. A lien is a legal claim filed against property as security for payment of a debt. Liens include mortgages, deeds of trust, land contracts, judgments and past due taxes.

FIRST MORTGAGE HELD BY	OTHER LIENS (Describe)
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PRESENT BALANCE \$	MONTHLY PAYMENT \$	INTEREST RATE %
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IS THE PROPERTY DESCRIBED IN THIS SECTION: YOUR PRINCIPAL DWELLING? YES NO IS ANYONE OTHER THAN YOUR SPOUSE A PART OWNER OF YOUR HOME? YES NO

LISTED AS THE APPLICANT'S ADDRESS IN THE "APPLICANT INFORMATION" SECTION? YES NO

FINANCIAL INFORMATION These questions apply to both Applicant and Other.

IF A "YES" ANSWER IS GIVEN TO A QUESTION, EXPLAIN ON AN ATTACHED SHEET

	APPLICANT		OTHER	
	YES	NO	YES	NO
DO YOU HAVE ANY OUTSTANDING JUDGMENTS?				
HAVE YOU EVER FILED FOR BANKRUPTCY OR HAD A DEBT ADJUSTMENT PLAN CONFIRMED UNDER CHAPTER 13?				
HAVE YOU HAD PROPERTY FORECLOSED UPON OR GIVEN A DEED IN LIEU OF FORECLOSURE IN THE LAST 7 YEARS?				
ARE YOU A PARTY IN A LAWSUIT?				
ARE YOU OTHER THAN A U.S. CITIZEN OR PERMANENT RESIDENT ALIEN?				
IS YOUR INCOME LIKELY TO DECLINE IN THE NEXT TWO YEARS?				
ARE YOU A CO-MAKER, CO-SIGNER OR GUARANTOR ON ANY LOAN NOT LISTED ABOVE?				

FOR WHOM (Name of Others Obligated on Loan): _____ TO WHOM (Name of Creditor): _____

SIGNATURES

You promise that everything you have stated in this application is correct to the best of your knowledge. If there are any important changes you will notify us in writing immediately. You authorize the Credit Union to obtain credit reports in connection with this application for credit and for any update, increase, renewal, extension, or collection of the credit received.

You understand that the Credit Union will rely on the information in this application and your credit report to make its decision. If you request, the Credit Union will tell you the name and address of any credit bureau from which it received a credit report on you. It is a crime to willfully and deliberately provide incomplete or incorrect information in this application.

X (SEAL)	X (SEAL)
APPLICANT'S SIGNATURE	OTHER SIGNATURE
DATE	DATE

LOAN ORIGINATOR ORGANIZATION	NMLSR ID NUMBER
LOAN ORIGINATOR	NMLSR ID NUMBER

The purpose of collecting this information is to help ensure that all applicants are treated fairly and that the housing needs of communities and neighborhoods are being fulfilled. For residential mortgage lending, Federal law requires that we ask applicants for their demographic information (e.g. ethnicity, race and sex) in order to monitor our compliance with equal credit opportunity, fair housing and home mortgage disclosure laws. You are not required to provide this information, but are encouraged to do so. You may select one or more “Hispanic or Latino” origins and one or more designations for “race”. The law provides that we may not discriminate on the basis of this information or on whether you choose to provide it. However, if you choose not to provide the information and you have made this application in person, Federal regulations require us to note your ethnicity, race and sex on the basis of visual observation and surname. If you do not wish to provide some or all of this information, please check below.

Check one or more that apply.

Applicant name

Co-Applicant name

Applicant

Co-Applicant

Ethnicity

Ethnicity

- Hispanic or Latino
 - Mexican
 - Puerto Rican
 - Cuban
 - Other Hispanic or Latino
Print origin below (e.g. Argentinean, Colombian, Dominican, Nicaraguan, Salvadoran, Spaniard, etc.):

- Hispanic or Latino
 - Mexican
 - Puerto Rican
 - Cuban
 - Other Hispanic or Latino
Print origin below (e.g. Argentinean, Colombian, Dominican, Nicaraguan, Salvadoran, Spaniard, etc.):

- Not Hispanic or Latino

- Not Hispanic or Latino

- I do not wish to provide this information

- I do not wish to provide this information

Race

Race

- American Indian or Alaska Native
Print name of enrolled or principal tribe:

- American Indian or Alaska Native
Print name of enrolled or principal tribe:

- Asian
 - Asian Indian
 - Chinese
 - Filipino
 - Japanese
 - Korean
 - Vietnamese
 - Other Asian
Print race (e.g. Hmong, Laotian, Thai, Pakistani, Cambodian, etc.):

- Asian
 - Asian Indian
 - Chinese
 - Filipino
 - Japanese
 - Korean
 - Vietnamese
 - Other Asian
Print race (e.g. Hmong, Laotian, Thai, Pakistani, Cambodian, etc.):

Applicant name

Co-Applicant name

Applicant

Co-Applicant

- Black or African American
- Native Hawaiian or Other Pacific Islander
 - Native Hawaiian
 - Guamanian or Chamorro
 - Samoan
 - Other Pacific Islander
Print race (e.g. Fijian, Tongan, etc.):

- Black or African American
- Native Hawaiian or Other Pacific Islander
 - Native Hawaiian
 - Guamanian or Chamorro
 - Samoan
 - Other Pacific Islander
Print race (e.g. Fijian, Tongan, etc.):

- White
- I do not wish to provide this information

- White
- I do not wish to provide this information

Sex

Sex

- Female
- Male
- I do not wish to provide this information

- Female
- Male
- I do not wish to provide this information

To be completed by financial institution (for an application taken in person):

	Yes	No
Was the ethnicity of the Applicant collected on the basis of visual observation or surname?	<input type="checkbox"/>	<input type="checkbox"/>
Was the ethnicity of the Co-Applicant collected on the basis of visual observation or surname?	<input type="checkbox"/>	<input type="checkbox"/>
Was the race of the Applicant collected on the basis of visual observation or surname?	<input type="checkbox"/>	<input type="checkbox"/>
Was the race of the Co-Applicant collected on the basis of visual observation or surname?	<input type="checkbox"/>	<input type="checkbox"/>
Was the sex of the Applicant collected on the basis of visual observation or surname?	<input type="checkbox"/>	<input type="checkbox"/>
Was the sex of the Co-Applicant collected on the basis of visual observation or surname?	<input type="checkbox"/>	<input type="checkbox"/>

Home Equity Early Disclosure

IMPORTANT TERMS OF OUR HOME EQUITY LINE OF CREDIT PLAN

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

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

POSSIBLE ACTIONS: We can terminate your line, require you to pay us the entire outstanding balance in one payment, and charge you certain fees, if (1) you engage in fraud or material misrepresentation in connection with the plan; (2) you do not meet the repayment terms of this plan, or (3) 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 (1) any reasons mentioned above exist; (2) the value of the dwelling securing the line declines significantly below its appraised value for purposes of the line; (3) we reasonably believe that you will not be able to meet the repayment requirements due to a material change in your financial circumstances; (4) you are in default of a material obligation of the agreement; (5) government action prevents us from imposing the annual percentage rate provided for in the agreement; (6) the priority of our security interest is adversely affected by government action to the extent that the value of the security interest is less than 120 percent of the credit line; (7) a regulatory agency has notified us that continued advances would constitute an unsafe and unsound business practice, or (8) the maximum annual percentage rate is reached.

MINIMUM PAYMENT REQUIREMENTS: You can obtain credit advances for 10 years. This period is called the "draw period." At our option, we may renew or extend the draw period. After the draw period ends the repayment period will begin. The length of the repayment period will depend upon the outstanding balance at the end of the draw period and it will not exceed 15 years.

You will be required to make monthly payments during the draw and repayment periods. During the draw period, your payment will be 1.25% of the outstanding balance each month or \$50.00, whichever is greater. During the repayment period, your payment will be 1.25% of the outstanding balance at the end of the draw period or \$50.00, whichever is greater; it will not change monthly. During both the draw and repayment periods, we will round the payment up to the next highest dollar. Your payment will include any amounts past due and any amount by which you have exceeded your credit limit, and all other charges. If the interest rate increases, you will be required to make more payments of the same amount.

MINIMUM PAYMENT EXAMPLE: If you made only the minimum monthly payment and took no other credit advances it would take 19 years 10 months to pay off a credit advance of \$10,000 at an **ANNUAL PERCENTAGE RATE** of 8.5%. During that period, you would make 120 payments of \$65.00 to \$125.00, followed by 117 payments of \$65.00 and one (1) final payment of \$32.90.

FEES AND CHARGES: You must pay certain fees to third parties to open the plan. These fees generally total between \$500.00 and \$1,800.00. If you ask, we will provide you with an itemization of the fees you will have to pay third parties.

FEE WAIVER: Lender may waive the bona-fide third party fees to open the plan. If Lender waives those fees and Borrower closes the plan within 36 months of the date the plan was established, Borrower agrees to reimburse the Lender for those bona-fide third party fees paid on Borrower's behalf, as permitted by applicable law.

PROPERTY INSURANCE: You must carry insurance on the property that secures this plan. If the property is located in a Special Flood Hazard Area we will require you to obtain flood insurance if it is available.

REFUNDABILITY OF FEES: If you decide not to enter into this plan within three business days of receiving this disclosure and the home equity brochure, you are entitled to a refund of any fee you may have already paid.

TRANSACTION REQUIREMENTS: The minimum amount of each advance is \$1.00

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

VARIABLE RATE FEATURE: This plan has a variable rate feature and the annual percentage rate (corresponding to the periodic rate) and the number of payments you make may 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 Prime Rate published in the Money Rates column of the *Wall Street Journal*. When a range of rates has been published the highest rate will be used. We will use the most recent index value available to us as of the second to the last business day before the date of any annual percentage rate adjustment.

To determine the annual percentage rate that will apply to your account, we add a margin to the value of the Index. If the rate is not already rounded we then round up to the next .25%. From time to time we may offer a "discount" program in which the initial rate will not be based on the margin and index used for subsequent rate adjustments. We have recently offered a discount program that was in effect for up to 12 months. The initial "discounted" rate will be in effect through the time frame disclosed on the Heloc Addendum provided to you at closing. Ask us for the current index value, margin, annual percentage rate, and whether a discount program is in effect. After you open a plan, rate information will be provided on periodic statements that we send you.

RATE CHANGES: The annual percentage rate can change quarterly on the first day of January, April, July and October after the expiration of any discount period. The rate cannot increase or decrease more than 1 percentage point at each adjustment; this limitation does not apply to the adjustment occurring after a discount period expires. The maximum **ANNUAL PERCENTAGE RATE** that can apply is 12% or the maximum permitted by law, whichever is less. However, under no circumstances will your **ANNUAL PERCENTAGE RATE** go below 5.50% at any time during the term of the plan unless it is during a discount period.

MAXIMUM RATE AND PAYMENT EXAMPLES:

Draw Period: If you had an outstanding balance of \$10,000, the minimum payment at the maximum **ANNUAL PERCENTAGE RATE** of 12% would be \$125.00. This annual percentage rate could be reached at the time of the 10th payment of the draw period if the rate is not discounted. This annual percentage rate could be reached at the time of the 22nd payment of the draw period if the rate is discounted because there is no limit placed on the amount of rate adjustment when the discount period ends.

Repayment Period: If you had an outstanding balance of \$10,000, the minimum payment at the maximum **ANNUAL PERCENTAGE RATE** of 12% would be \$125.00. This annual percentage rate could be reached at the time of the 10th payment of the repayment period if the rate is not discounted. This annual percentage rate could be reached at the time of the 10th payment of the repayment period if the rate is discounted because there is no limit placed on the amount of rate adjustment when the discount period ends.

MARGIN: The margin that will apply to your plan will be based on the amount of equity in the property offered as security for the plan at the time of closing. Please ask us about the current margins we are offering.

HISTORICAL EXAMPLE: The following table shows how the annual percentage rate and the minimum payments for a single \$10,000 credit advance would have changed based on changes in the index over the past 15 years. The index values are from the last business day of January of each year.

The table assumes that 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.

WALL STREET JOURNAL PRIME RATE INDEX TABLE

Year (as of the last business day of January)	Index (Percent)	Margin ⁽¹⁾ (Percent)	ANNUAL PERCENTAGE RATE		ANNUAL PERCENTAGE RATE	
			No Discount	Monthly Payment (Dollars) No Discount	With Discount	Monthly Payment (Dollars) With Discount
2010.....	3.250	0.00	5.500 ⁽²⁾	125.00	2.990 ⁽⁴⁾	125.00
2011.....	3.250	0.00	5.500 ⁽²⁾	114.00	5.500 ⁽²⁾	111.00
2012.....	3.250	0.00	5.500 ⁽²⁾	104.00	5.500 ⁽²⁾	101.00
2013.....	3.250	0.00	5.500 ⁽²⁾	94.00	5.500 ⁽²⁾	92.00
2014.....	3.250	0.00	5.500 ⁽²⁾	86.00	5.500 ⁽²⁾	83.00
2015.....	3.250	0.00	5.500 ⁽²⁾	78.00	5.500 ⁽²⁾	76.00
2016.....	3.500	0.00	5.500 ⁽²⁾	71.00	5.500 ⁽²⁾	69.00
2017.....	3.750	0.00	5.500 ⁽²⁾	64.00	5.500 ⁽²⁾	63.00
2018.....	4.500	0.00	5.500 ⁽²⁾	58.00	5.500 ⁽²⁾	57.00
2019.....	5.500	0.00	5.500	53.00	5.500	52.00
2020.....	4.750	0.00	5.500 ⁽²⁾	50.00 ⁽³⁾	5.500 ⁽²⁾	50.00 ⁽³⁾
2021.....	3.250	0.00	5.500 ⁽²⁾	50.00 ⁽³⁾	5.500 ⁽²⁾	50.00 ⁽³⁾
2022.....	3.250	0.00	5.500 ⁽²⁾	50.00 ⁽³⁾	5.500 ⁽²⁾	50.00 ⁽³⁾
2023.....	7.500	0.00	7.500	50.00 ⁽³⁾	7.500	50.00 ⁽³⁾
2024.....	8.500	0.00	8.500	50.00 ⁽³⁾	8.500	50.00 ⁽³⁾

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

⁽²⁾ This **ANNUAL PERCENTAGE RATE** reflects a 5.500% floor.

⁽³⁾ This payment reflects the minimum payment of \$50.00.

⁽⁴⁾ This **ANNUAL PERCENTAGE RATE** reflects a discount that we have recently provided; your plan, if discounted, may receive a different amount.

DEBT PROTECTION

Do you have a safety net
if the unexpected hits?

Your purchase of Debt Protection is optional and will not affect your application for credit or the terms of any credit agreement required to obtain a loan. Certain eligibility requirements, conditions, and exclusions may apply.

Please contact your loan representative or refer to the Member Agreement for a full explanation of the terms of Debt Protection. You may cancel the protection at any time. If you cancel protection within 30 days, you will receive a full refund of any fee paid.

OMS#: DPM003 † MARKETING#: DP-2041050.1-0218-0320





Protect your family against the unexpected.

Life can be wonderful. But it can also get complicated when unexpected things happen. Protecting your loan payments against death, disability, or involuntary unemployment could help protect your finances.

This protection could cancel your loan balance or payments up to the contract maximums. Protect your loan payments today so you can worry a little less about tomorrow.

Purchasing protection is voluntary and won't affect your loan approval. It's simple to apply.

IN THE EVENT OF...	Death	Disability	Involuntary Unemployment
WHAT HAPPENS...	<ul style="list-style-type: none"> Protected borrower passes away. 	<ul style="list-style-type: none"> A covered disability occurs due to injury or illness. 	<ul style="list-style-type: none"> A covered job loss occurs.
IT CANCELS THIS... up to the contract maximums	<ul style="list-style-type: none"> Your payments or loan balance. 	<ul style="list-style-type: none"> Your loan payments. 	<ul style="list-style-type: none"> Your loan payments.
YOU MAY BE ELIGIBLE IF YOU ...	<ul style="list-style-type: none"> Have an eligible loan. 	<ul style="list-style-type: none"> Are a permanent employee who is actively working.* 	<ul style="list-style-type: none"> Are a permanent employee who is actively working.*

Ask your loan officer to protect what matters most to you.

*Refer to the Member Agreement for a full explanation of terms and conditions.

WHAT YOU SHOULD KNOW ABOUT

Home Equity Lines of Credit (HELOC)

Borrowing from the
value of your home



**Educational Systems
Federal Credit Union**



Consumer Financial
Protection Bureau



An official publication of the U.S. government

How to use the booklet

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

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

About the CFPB

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

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

How can this booklet help you?

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

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

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

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

After you finish this booklet:

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

Compare a HELOC to other money sources

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

TIP

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

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

Compare a HELOC to other money sources

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

How HELOCs work

PREPARE FOR UP-FRONT COSTS

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

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

PULL MONEY FROM YOUR LINE OF CREDIT

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

MAKE REPAYMENTS DURING THE “DRAW PERIOD”

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

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

ENTER THE “REPAYMENT PERIOD”

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

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

RENEW OR CLOSE OUT THE LINE OF CREDIT

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

TIP

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



GET THREE HELOC ESTIMATES

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

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



GET THREE HELOC ESTIMATES

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

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

How variable interest rates work

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

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

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

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

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

Rights and responsibilities

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

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

- Annual fees
- Miscellaneous charges

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

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

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

Right to cancel (also called right to rescind)

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

TIP

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

If something changes during the course of the loan

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

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



WELL DONE!

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

In this booklet:

ASK YOURSELF

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

Have I shopped around for HELOC features and fees?

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

ONLINE TOOLS

CFPB website
cfpb.gov

Answers to common questions
cfpb.gov/askcfpb

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

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

Submit a complaint
cfpb.gov/complaint