

IMPORTANT TERMS OF TECHNOLOGY CREDIT UNION'S HOME EQUITY LINE OF CREDIT (Prime Rate Program)

This disclosure contains important information about our Home Equity Line of Credit (“Credit Line”). 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 prior to a final decision on your credit application. If any of these terms change (other than the annual percentage rate) and you decide, as a result, not to enter into an agreement with us, you are entitled to a refund of any fees you paid to us or anyone else in connection with your application.

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

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

- You engage in fraud or material misrepresentation in connection with the Credit 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 Credit Line declines significantly below its appraised value for purposes of the Credit 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 in a material obligation in the Credit Agreement.
- Government action prevents us from imposing the annual percentage rate provided for in the Credit Agreement or impairs our security interest such that the value of the security interest is less than 120% of the credit limit.
- A regulatory agency such as the National Credit Union Administration or the California Department of Consumer Financial Protection and Innovation has notified us that continued advances would constitute an unsafe and unsound practice.
- The maximum annual percentage rate is reached.
- The Draw Period provided for in the Credit Agreement has ended.

Minimum Payment Requirements: Your minimum monthly payment varies with the amount borrowed and with fluctuations in the interest rate. You can obtain loan advances for ten years (the “Draw Period”). During the Draw Period, the payment will equal interest only. The Draw Period is followed by a fifteen-year Repayment Period. After the Draw Period ends, the minimum payment will change with the interest rate to an amount sufficient to amortize the outstanding balance over the number of months remaining in the Repayment Period. During the Draw Period, increases in the interest rate will usually increase the minimum payment amount and decreases in the interest rate will usually decrease the minimum payment amount. During the Repayment Period, increases in the interest rate will increase the minimum payment only if the current payment is not sufficient to fully amortize the outstanding balance over the time remaining in the Repayment Period, and decreases in the interest rate will not decrease the minimum payment amount. Interest rate decreases during the Repayment Period may result in early payoff.

Minimum Payment Example: If you made only the minimum monthly payments and took no other credit advances, it would take 25 years to pay off a credit advance of \$10,000. At an ANNUAL PERCENTAGE RATE of 7.50%, you would make 120 monthly payments of \$61.64 followed by 179 monthly payments of \$92.74 and a final payment of \$91.36. At an ANNUAL PERCENTAGE RATE of 8.50%, you would make 120 monthly payments of \$69.86 followed by 179 monthly payments of \$98.52 and a final payment of \$96.65. Examples assume that interest rate remains constant.

Fees and Charges: To open and maintain a Credit Line, you may be required to pay certain fees and charges. We will absorb all third-party costs of establishing your Credit Line, including credit report, appraisal, title insurance, flood hazard review, and document recording. These fees generally total between \$500 and \$2,500. If you pay off your Credit Line balance and close your Credit Line within three years of opening it, we will add an Early Closure Fee to your outstanding balance of \$500 for limits of \$10,000 to \$250,000, \$750 for limits of \$250,001 to \$500,000, and \$1,500 for credit limits over \$500,000. You may request an itemization of fees, but one will be given to you in any event when your Credit Line is established.

You must carry insurance on the property that secures this Credit Line.

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

Variable Rate Information: The Credit Line has a variable rate feature, and the annual percentage rate and the minimum monthly payment can change as a result.

The annual percentage rate includes only interest. Other costs are not included.

The annual percentage rate is calculated monthly on the 24th day of each month by adding an index to a margin. The index is the highest commercial prime rate correctly published in the Wall Street Journal, Western Edition, on the 15th day of the month prior to the rate change. (If the 15th is not a business day, the prime rate published on the next business day will be used.) To obtain the annual percentage rate that will apply to your Credit Line, we add a margin to the index. The index is published in the *Wall Street Journal* and the financial pages of many newspapers.

Ask us for the current index value, margins, discounts, and annual percentage rates. After you open a Credit Line, rate information will be provided on periodic statements that we send you.

Rate Changes: In no event will the ANNUAL PERCENTAGE RATE exceed 18%. Other than during any introductory or other promotional rate period, in no event will the ANNUAL PERCENTAGE RATE fall below 2.99%. Otherwise, no limits apply to rate adjustments. If an introductory or promotional rate applies to your Credit Line, the rate and the time through which it will apply will be disclosed to you. At the end of any introductory or other promotional rate period, your ANNUAL PERCENTAGE RATE will adjust to equal the greater of 2.99% or the sum of the index plus margin.

Maximum Rate and Payment Examples: If you had an outstanding balance of \$10,000 with an initial ANNUAL PERCENTAGE RATE from 7.50% to 8.50%, the maximum monthly payments at the hypothetical maximum ANNUAL PERCENTAGE RATE of 18.00% would be \$147.95 during the Draw Period and \$161.12 during the Repayment Period. The maximum annual percentage rate could be reached at any scheduled rate adjustment during the Draw or Repayment Periods, including the first scheduled rate adjustment.

Historical Examples: The following tables show how the annual percentage rate and the minimum monthly payments for a single \$10,000 credit advance would have changed at different margins based on changes in the index over the past 15 years. The index values are from January of each year. While only one payment amount per year is shown, payments could have varied during the year. The tables assume that no additional credit advances were taken and that only the minimum payment was made each month. They do not necessarily indicate how the index or your payments would change in the future. The margins have been used recently.

	Year	Prime Rate Index	Margin	ANNUAL PERCENTAGE RATE	Monthly Payment	Margin	ANNUAL PERCENTAGE RATE	Monthly Payment
Draw* Period	2009	3.25%	0.00%	3.25%	\$26.71	1.00%	4.25%	\$34.93
	2010	3.25%	0.00%	3.25%	\$26.71	1.00%	4.25%	\$34.93
	2011	3.25%	0.00%	3.25%	\$26.71	1.00%	4.25%	\$34.93
	2012	3.25%	0.00%	3.25%	\$26.71	1.00%	4.25%	\$34.93
	2013	3.25%	0.00%	3.25%	\$26.71	1.00%	4.25%	\$34.93
	2014	3.25%	0.00%	3.25%	\$26.71	1.00%	4.25%	\$34.93
	2015	3.25%	0.00%	3.25%	\$26.71	1.00%	4.25%	\$34.93
	2016	3.50%	0.00%	3.50%	\$28.77	1.00%	4.50%	\$36.99
	2017	3.75%	0.00%	3.75%	\$30.82	1.00%	4.75%	\$39.04
	2018	4.50%	0.00%	4.50%	\$36.99	1.00%	5.50%	\$45.21
Repayment Period+	2019	5.50%	0.00%	5.50%	\$81.74	1.00%	6.50%	\$87.14
	2020	4.75%	0.00%	4.75%	\$77.96	1.00%	5.75%	\$83.21
	2021	3.25%	0.00%	3.25%	\$71.24	1.00%	4.25%	\$76.18
	2022	3.25%	0.00%	3.25%	\$71.20	1.00%	4.25%	\$76.13
	2023	7.50%	0.00%	7.50%	\$87.96	1.00%	8.50%	\$93.63

*During the ten-year Draw Period, payments equal interest only.

+During the fifteen-year Repayment Period, payments are fully amortized.

A copy of this disclosure is part of the Home Equity Line of Credit Agreement.

WHAT YOU SHOULD KNOW ABOUT HOME EQUITY LINES OF CREDIT (HELOC)

Borrowing from the value of your home

How to use this publication

When you and your lender discuss home equity lines of credit, often referred to as HELOCs, you receive a copy of this publication. The content of this publication is made available by the US Consumer Financial Protection Bureau (CFPB) a U.S. government agency. It helps you explore and understand your options when borrowing against the equity in your home.

You can find more information from the 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 the markets for consumer financial products are fair, transparent, and competitive.

This publication, titled "What You Should Know About Home Equity Lines of Credit," was created to comply with federal law pursuant to 15 USC 1637(e) and 12 CFR 1026.40(e).

How can this publication help you?

This publication can help you decide whether a 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 reading this publication:

- 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	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 payment 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

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

How HELOCs Work

PREPARE FOR UP-FRONT COSTS

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

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

PULL MONEY FROM YOUR LINE OF CREDIT

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

MAKE PAYMENTS 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 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 fifteen years.

Or, you may have to pay the entire balance owed, all at once, which might be a large amount called a balloon payment. You must be prepared to make this **balloon payment** by refinancing it with 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 fee 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
<i>Initiating the HELOC</i>			
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			
<i>Length of plan</i>			
• Draw period			
• Repayment period			
<i>Initial fees</i>			
• Appraisal fee	\$		
• Application fee	\$		
• Up-front charges including points	\$		
• Early termination fee	\$		
• Closing costs	\$		
<i>During the draw period</i>			
• 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	\$		
<i>During the repayment period</i>			
• Penalty for overpayment?			
• Fully amortizing payment amount?			
• Balloon payment of full balance owed?			
• Renewal available?			
• Refinancing of balance by lender?			
• Conversion to fixed-term loan?			

My best HELOC offer is: _____

How variable interest rates work

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

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

An **index** is the 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 counselors in your area. You can talk to a counselor about how HELOCs work and get free or low-cost help with budgeting and money management.

Right to cancel (also called right to rescind)

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

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

If something changes during the course of the loan

HELOCs generally permit the lender to freeze or reduce your credit limit 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.

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](https://www.cfpb.gov)

Answers to common questions: [cfpb.gov/askcfpb](https://www.cfpb.gov/askcfpb)

Tools and resources for home buyers: [cfpb.gov/owning-a-home](https://www.cfpb.gov/owning-a-home)

Talk to a HUD-approved housing counselor: [cfpb.gov/find-a-housing-counselor](https://www.cfpb.gov/find-a-housing-counselor)

Submit a complaint: [cfpb.gov/complaint](https://www.cfpb.gov/complaint)