

HOME EQUITY APPLICATION CHECKLIST

1. MAKE AN APPOINTMENT

You need an appointment with a Home Equity Loan Officer. Both spouses must consent however are not required to participate on the loan. Either applicant may be present at the initial application.

2. PROVIDE YOUR EMAIL ADDRESS

We will need a valid email address for correspondence throughout the loan process.

- Please provide separate email addresses for each borrower.

3. BRING THESE ITEMS TO YOUR APPOINTMENT

- Deed of Trust or Warranty Deed which gives a complete legal description and the name of all owners of the property
- County Tax Appraisal Statement indicating the appraised value
- Current mortgage statement
- Income verification on all applicants via W2 or paycheck stub
 - Income verification must be most current (30 days or newer)
- Homeowner's insurance policy including your agent's name and phone number. Your policy deductibles can not be greater than \$2,000 or 2% of the home value.
- Government-issued ID

HELOC Minimum: \$10,000 | Home Equity Minimum: \$5,000

All home equity loans are closed-end, fixed rate. Rates are set by the Board of Directors and are subject to change without notice. Rates are determined by the credit score at the credit bureau. For access to counselors, visit www.consumerfinance.gov/find-a-housing-counselor

Home Equity Department: 713-568-1231 • homelending@hpcu.coop

Main Office: 1600 Memorial Drive • Houston, Texas 77007-7789

Willowbrook Branch: Willowbrook Place Building • 17314 Highway 249 • Suite 107 • Houston, Texas 77064

713-237-8700 • 800-927-8707 (Texas Only) • Fax 713-986-0398

DISCLOSURE STATEMENT

NOTICE TO MORTGAGE LOAN APPLICANTS: THE RIGHT TO COLLECT YOUR MORTGAGE LOAN PAYMENTS MAY BE TRANSFERRED. FEDERAL LAW GIVES YOU CERTAIN RELATED RIGHTS. SIGN THE ACKNOWLEDGMENT AT THE END OF THIS STATEMENT ONLY IF YOU UNDERSTAND ITS CONTENTS.

Because you are applying for a mortgage loan covered by the Real Estate Settlement Procedures Act ("RESPA") (12 U.S.C. § 2601 et seq.) you have certain rights under that Federal Law. This statement tells you about those rights. It also tells you what the chances are that the servicing rights for this loan may be transferred to a different loan servicer. "Servicing" refers to collecting your principal, interest and escrow account payments, if any. If your loan servicer changes, there are certain procedures that must be followed. This statement generally explains those procedures.

Transfer Practices and Requirements

If the servicing of your loan is assigned, sold or transferred to a new servicer, you must be given written notice of that transfer. The present loan servicer must send you notice in writing of the assignment, sale or transfer of the servicing not less than 15 days before the effective date of the transfer. The new loan servicer must also send you notice within 15 days after the effective date of the transfer. The present servicer and the new servicer may combine this information in one notice, so long as the notice is sent to you 15 days before the effective date of the transfer. The 15 day period is not applicable if a notice of prospective transfer is provided to you at settlement; the law allows a delay in the time (not more than 30 days after a transfer) for servicers to notify you under certain limited circumstances, when your servicer is changed abruptly. This exception applies only if your servicer is fired for cause, is in bankruptcy proceedings, or is involved in a conservatorship or receivership initiated by a Federal Agency.

Notices must contain certain information. They must contain the effective date of the transfer of the servicing of your loan to the new servicer, the name, address and toll-free or collect call telephone number of the new servicer, and toll-free or collect call telephone numbers of a person or department for both your present service and your new servicer to answer your questions about the transfer of servicing. During the 60 day period following the effective date of the transfer of the loan servicing, a loan payment received by your old servicer before its due date may not be treated by the new loan servicer as late, and a late fee may not be imposed on you.

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Complaint Resolution

Section 6 of RESPA (12 U.S.C. § 2605) gives you certain consumer rights, whether or not your loan servicing is transferred. If you send a “qualified written request” to your loan servicer concerning the servicing of your loan, your servicer must provide you with a written acknowledgment within 20 business days of receipt of your request. A “qualified written request” is a written correspondence, other than notice on a payment coupon or other payment medium supplied by the servicer, which includes your name and account, and must provide you with a written clarification regarding any dispute. During this 60 day period, your servicer may not provide information to a consumer reporting agency concerning any overdue payment related to this 60 day period or this qualified written request. A business day is any day, excluding public holidays (state or federal), Saturdays and Sundays.

Damages and Costs

Section 6 of RESPA also provides for damages and costs for individuals or classes of individuals in circumstances where servicers are shown to have violated the requirements of that Section.

Servicing Transfer Estimates

The next sentence puts forth the best estimate of what will happen to the servicing of your mortgage loan. We may assign, sell or transfer the servicing of your loan sometime while the loan is outstanding, but we have no present intention of doing so. We are able to service your loan, and we will service your loan at the outset, and for an indeterminate time thereafter.

For all the mortgage loans that we make in the 12 month period after your mortgage is funded, we estimate that the percentage of mortgage loans for which we will transfer Servicing is between 0 and 25%, and this estimate does include assignments, sales or transfers to any affiliates or subsidiaries. This is only our best estimate and it is not binding. Business conditions or other circumstances may affect our future transferring decisions.

In each of the past three years, we have transferred between 0 and 25% of the servicing of our loans. This information includes assignments, sales or transfers to any affiliates or subsidiaries.

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ACKNOWLEDGMENT OF MORTGAGE LOAN APPLICANT

I/we have read this disclosure form, and understand its contents, as evidenced by my/or signature(s) below.

I/we understand that this acknowledgment is a required part of the mortgage loan application.

APPLICANT’S SIGNATURE

DATE

EMAIL

CO-APPLICANT’S SIGNATURE

DATE

EMAIL

HOME EQUITY LINE OF CREDIT (VARIABLE HOME EQUITY LOAN) EARLY FEDERAL DISCLOSURE

IMPORTANT TERMS OF OUR HOME EQUITY LINE OF CREDIT PLAN

IMPORTANT INFORMATION- PLEASE READ CAREFULLY

If I wish to apply for a Home Equity Line of Credit, I should read the following information carefully.

In this Early Federal Disclosure ("Disclosure"), the words "I", "ME" and "MY" means all those who are or may be applicants for a Home Equity Line of Credit with you. The words "YOU", "YOUR" and "YOURS" means Houston Police Federal Credit Union.

"EARLY" FEDERAL DISCLOSURE INFORMATION-IMPORTANT TERMS OF YOUR HOME EQUITY LINE OF CREDIT. This disclosure contains important information about Home Equity Line of Credit. I should read it carefully and keep a copy for my records.

Availability of Terms: All of the terms described in this "Early Federal Disclosure" are subject to change. If these terms change, (other than a change in the ANNUAL PERCENTAGE RATE AND I DECIDE, AS A RESULT, NOT TO ENTER INTO A home Equity Line of Credit Open-End Variable Rate Note and Federal Disclosure Statement for Loans Secured by Real Estate (herein "Note") with you, I am entitled to a refund of any fees I paid to you or anyone else in connection with my application.

Security Interest In My Home: You will take a Deed of Trust (mortgage) on my home in connection with this Home Equity Line of Credit. I can lose my home if I do not meet the obligations in my Note with you.

Possible Creditor Actions: Under certain circumstances, you can (1) terminate my line, require me to pay the entire outstanding balance in one payment, and charge me certain fees; (2) refuse to make additional extensions of credit; and (3) reduce my credit limit.

If I ask, you will give me more specific information concerning when you can take these actions.

Payment Terms: I will be permitted to take advances upon my Home Equity Line of Credit with you in amounts of \$4,000.00 or more, up to my available credit limit, for a period of 5 (five) years. This is known as the "Draw Period". Thereafter I will no longer be permitted to take advances but I will be required to pay my Minimum Monthly Payments in order to "pay off" the unpaid balance of my Home Equity Line of Credit plus FINANCE CHARGES and other applicable fees and charges under the Note. This is known as the "Repayment Period". The length of the Repayment Period will depend on the unpaid balance at the end of the Draw Period and the ANNUAL PERCENTAGE RATE(s) in effect as of each Adjustment Date.

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Minimum Monthly Payment: I can obtain credit advances during the Draw Period. During the Draw Period a Minimum Monthly Payment is required and is calculated by reference to the unpaid balance at the end of each Statement Cycle. The Minimum Monthly Payment will be set to repay the balance over the remaining term of the agreement of \$50.00 whichever is greater at the end of each statement cycle.

However, in no event will the Minimum Monthly Payment be less than: 1) \$50.00; or 2) the unpaid balance, plus FINANCE CHARGES, whichever is less, and other fees and charges, if any.

During the Repayment Period, My Minimum Monthly Payment will be based on: 1) my unpaid balance at the end of the Draw Period; 2) the ANNUAL PERCENTAGE RATE in effect as of the 1st day of the Repayment Period, 3) the term specified in the original agreement and/or the payoff period established according to the following table:

<u>Range of Balances</u>	<u>Payoff Period</u>
Up to \$5,000.00	36 months
\$ 5,000.01 – 10,000.00	60 months
\$10,000.01 – 20,000.00	72 months
\$20,000.01 – 30,000.00	108 months
\$30,000.01 – 40,000.00	120 months
\$40,000.01 and above	180 months

If my ANNUAL PERCENTAGE RATE is changed during the Repayment Period, in accordance with the terms of the Note, my payment will also change.

I understand that my Minimum Monthly Payment is applied in the following order: 1) over limit amounts, if any; 2) fees, if any; 3) late charges, if any; 4) FINANCE CHARGES; and 5) my unpaid balance.

Fees and Charges: There are no fees imposed to open use, or maintain the plan.

Property Insurance: I understand that I must maintain dwelling insurance (and if the property is now or at some future date is determined to be located in a flood hazard area qualifying for an having available flood insurance under the National Flood Insurance Act of the 1968/National Flood Insurance Act of 1994), then also flood insurance on the security, naming you as Loss Payee and fully insuring the property against loss or damage by fire and other standard perils. I may obtain this insurance from a company of my own choosing. If I do not get or keep this insurance, you may obtain this insurance and add its cost to my loan and I agree to pay for it. Any amount spent by you for insurance will be added to the unpaid balance of my loan and will accrue FINANCE CHARGES. The proceeds of any insurance policy on the property, whether acquired by you or me, shall be applied solely to repairs of the property or repayment of the loan.

Negative Amortization: Under some circumstances, my payments will not cover the FINANCE CHARGES that are payable (generally if I do not pay at least my Minimum

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Monthly Payments on a timely basis), such that “Negative Amortization” will occur. If this occurs it will increase my unpaid FINANCE CHARGES and reduce my equity in my home.

Minimum Draw Requirements: The minimum initial advance that I may draw under the Home Equity Line of Credit is \$4,000.00. The minimum credit advance that I may receive is \$4,000.00 for each subsequent advance and the maximum number of advances that I may obtain per year is 4 (four)

Tax Deductibility: Finance Charges and other fees and charges on my Home Equity Line of Credit may be tax deductible. I should consult a professional tax advisor regarding the deductibility of Finance Charges and other fees and charges under the Home Equity Line of Credit.

Variable Rate Feature: This Home Equity Line Of Credit contains provisions for a Variable ANNUAL PERCENTAGE (Interest) RATE. The ANNUAL PERCENTAGE RATE and the amount of the Minimum Monthly Payments may change as a result. The ANNUAL PERCENTAGE RATE includes only interest and no other costs.

How you determine changes in my ANNUAL PERCENTAGE RATE: The ANNUAL PERCENTAGE RATE may increase or decrease quarterly during the term of this Note. Any such change will be based on an increase or decrease in the index. The Index is the Prime Rate published in the Money Rates column of the Wall Street Journal as of the 15th day of the month proceeding each new calendar quarter. When a range of rates has been published the highest rate will be used. In the event that the Wall Street Journal ceases publishing the Index, changes in the ANNUAL PERCENTAGE RATE will be related to a comparable Index as permitted in the Note.

My ANNUAL PERCENTAGE RATE is determined by adding a fixed percentage (a “Margin”) which will be set forth in the note to the Index as of each Adjustment Date. The initial annual percentage rate AND THE index in effect as of the date of the Note will be set forth in the Note. I will ask you for the current Index values, Margin and Annual Percentage Rate. After I open the Home Equity Line of Credit, the ANNUAL PERCENTAGE RATE will be provided on periodic statements that you send to me.

Rate Changes: My ANNUAL PERCENTAGE RATE is subject to change once each calendar quarter on January 1, April 1, July 1 and October 1 of each year. These dates shall be known as “Adjustment Dates”. The Index in effect on the 15th day of the month proceeding each new calendar quarter shall be used to calculate the ANNUAL PERCENTAGE RATE change effective on the first day following the close of each quarterly statement cycle.

Maximum and Minimum Rate: The Maximum ANNUAL PERCENTAGE RATE during the term of the Note shall not exceed 18.00%. The minimum ANNUAL PERCENTAGE RATE is 3.50%. There are no quarterly or annual caps on changes in the ANNUAL PERCENTAGE RATE during the term of the Note. Decreases in the ANNUAL PERCENTAGE RATE in accordance with the terms of the Note are mandatory. Increases in the ANNUAL PERCENTAGE RATE in accordance with the terms of the

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Note are at your discretion. Changes in the ANNUAL PERCENTAGE RATE may result in a change in the amount of the Minimum Monthly Payment.

Maximum Rate and Payment Example: Assume 1) an Initial ANNUAL PERCENTAGE RATE of 4.00%; 2) that the annual percentage rate reached the maximum of 18.00% at the first adjustment Date during the Draw Period; and 3) that you had an initial advance of \$10,000.00. Assuming no over limit or past due amounts, the Minimum Monthly Payment during the Draw Period would be \$162.00. During the Repayment Period, assuming a balance of \$10,000.00 at the Maximum ANNUAL PERCENTAGE RATE OF 18.00% and no past due amounts, the Maximum Monthly Payment would be \$255.00 with on final payment of \$163.75.

Historical Example: The following table shows how the ANNUAL PERCENTAGE RATE and the Minimum Monthly Payments for a single \$10,000.00 credit advance would have changed based on changes in the Index over the past fifteen years. The Index values for the Wall Street Journal Prime Rate are from January 1st of each year. The table assumes an annual change in the ANNUAL PERCENTAGE RATE. While only one payment per year is shown, payments may have varied during 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 1st business day of January	Index (percent)	Margin (1) (percent)	ANNUAL PERCENTAGE RATE	Monthly Payment (dollars)
2009	3.25	2.00	5.25	190.00
2010	3.25	2.00	5.25	190.00
2011	3.25	2.00	5.25	190.00
2012	3.25	2.00	5.25	190.00
2013	3.25	2.00	5.25	190.00
2014	3.25	2.00	5.25	190.00
2015	3.25	2.00	5.25	190.00
2016	3.50	2.00	5.50	192.00
2017	3.75	2.00	5.75	193.00
2018	4.50	2.00	6.50	196.00
2019	5.50	2.00	7.50	201.00
2020	4.75	2.00	6.75	197.00
2021	3.25	2.00	5.25	190.00
2022	3.25	2.00	5.25	190.00
2023	7.50	2.00	9.50	210.00
2024	8.50	2.00	10.50	215.00

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

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