

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 time of 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
- Home Owners Association (HOA) statement (if applicable)
- 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: \$25,000 | Home Equity Minimum: \$25,000

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 LINE OF CREDIT 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.

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 Disclosure are subject to change. If these terms change (other than a change in the ANNUAL PERCENTAGE RATE and I decide not to enter into a Home Equity Line of Credit Agreement and Promissory Note (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 security interest in 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 this Home Equity Line of Credit (“Plan” or “Credit Line”), you have the following rights:

Termination and Acceleration. You can terminate the Plan and require me to pay you the entire outstanding balance in one payment, and charge me certain fees, if any of the following happens:

- (a) I commit fraud or make a material misrepresentation at any time in connection with the Plan. This can include, for example, a false statement about my income, assets, liabilities, or any other aspect of my financial condition.
- (b) I do not meet the repayment terms of the Plan.
- (c) My action or inaction adversely affects the collateral for the Plan or your rights in the collateral. This can include, for example, failure to maintain required insurance, waste or destructive use of the dwelling, failure to pay taxes, death of all persons liable on the account, transfer of title or sale of the dwelling, creation of a senior lien on the dwelling without your permission, foreclosure by the holder of another lien, or the use of funds or the dwelling for prohibited purposes.

Suspension or Reduction. In addition to any other rights you may have, you can suspend additional extensions of credit or reduce my credit limit during any period in which any of the following are in effect:

- (a) The value of my dwelling declines significantly below the dwelling's appraised value for purposes of the Plan. This includes, for example, a decline such that the initial difference between the credit limit and the available equity is reduced by fifty percent and may include a smaller decline depending on the individual circumstances.
- (b) You reasonably believe that I will be unable to fulfill my payment obligations under the Plan due to a material change in my financial circumstances.
- (c) I am in default under any material obligation of the Plan. You consider all of my obligations to be material. Categories of material obligations include, but are not limited to, the events described above under Termination and Acceleration, obligations to pay fees and charges, obligations and limitations on the receipt of credit advances, obligations concerning maintenance or use of the dwelling or proceeds, obligations to pay and perform the terms of any other deed of trust, mortgage or lease of the dwelling, obligations to notify you and to provide documents or information to you (such as updated financial information), obligations to comply with applicable laws (such as zoning restrictions).
- (d) You are precluded by government action from imposing the annual percentage rate provided for under the Plan.
- (e) The priority of your 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 limit.
- (f) You have been notified by governmental authority that continued advances may constitute an unsafe and unsound business practice.
- (g) The maximum annual percentage rate under the Plan is reached.

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

Change in Terms. You may make changes to the terms of the Plan if I agree to the change in writing at that time, if the change will unequivocally benefit me throughout the remainder of the Plan, or if the change is insignificant (such as changes relating to our data processing systems).

Payment Terms: I will be permitted to take advances in my Plan with you in amounts of \$4,000.00 or more, up to my available credit limit, for a period of five (5) 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 Plan 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 particulars of your specific Plan and it may be up to twenty (20) years.

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 equal the amount of your

accrued FINANCE CHARGES at the end of each Statement Cycle, plus other fees and charges, if any. The Minimum Monthly Payment during the Draw Period will not reduce the principal that is outstanding on my Plan.

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 Note.

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: While there are no lender fees imposed to open, use, or maintain the Plan, you may be required to pay certain fees and charges below:

Late Charge: Your payment will be late if it is received by us more than **10 days after the "Payment Due Date" shown on your periodic statement.** If your payment is late, we may charge you 5% of the overdue payment or \$15.00, whichever is less.

Third Party Fees: You must pay certain fees to third parties such as appraisers, credit reporting firms, and government agencies. These third party fees generally total between \$100.00 and \$1,500.00. Upon request, we will provide you with an itemization of the fees you will have to pay to third parties.

Property Insurance: I understand that I must maintain property hazard insurance throughout the term of the Plan, fully insuring the property against loss or damage by fire and other standard perils. If the property is now or at some future date is determined to be located in a flood hazard area qualifying for available flood insurance under the National Flood Insurance Act of the 1968/National Flood Insurance Act of 1994, then I must also maintain flood insurance on the property, naming you as the Loss Payee. I may obtain the required insurance from a company of my own choosing. If I do not get or keep this insurance, you may obtain the required insurance and add its cost to my Plan and I agree to pay for it. Any amount spent by you for insurance will be added to the unpaid balance of my Plan 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/reconstruction 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 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.

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 Plan 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. The annual percentage rate is based on the value of an index (referred to in this Disclosure as the "Index"). The Index is the Wall Street Journal U.S. Prime Rate. Information about the Index is available or published daily in the Wall Street Journal. You will use the most recent Index value available to you as of the date of any annual percentage rate adjustment.

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 preceding 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.

To determine the Periodic Rate that will apply to my Draw Period, You add a Margin to the value of the Index, round that sum to the nearest 0.125%, then divide the rounded value by 365 days. To obtain the ANNUAL PERCENTAGE RATE, you multiply the Periodic Rate by the number of days in a year (366 during leap years). This result is the ANNUAL PERCENTAGE RATE for my Draw Period. The amount that my ANNUAL PERCENTAGE RATE may change also may be affected by periodic annual percentage rate change limitations and the lifetime annual percentage rate limits, as discussed below.

Please ask for the current Index value, margin and annual percentage rate. After I open my Plan, rate information will be provided on periodic statements that You send me.

Frequency of Annual Percentage 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 preceding 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 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:

Draw Period: Assume 1) an Initial ANNUAL PERCENTAGE RATE of 4.00%; and 2) that I 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 \$33.97.

Repayment Period: 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 \$154.00 if the Repayment Period is 20 years.

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 from 2012 to 2026. 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. The Repayment Period is 20 years.

	Year	Index	Margin*	APR^	Monthly Payment~
Draw Period	2012	3.25	2	5.25	33.97
	2013	3.25	2	5.25	33.97
	2014	3.25	2	5.25	33.97
	2015	3.25	2	5.25	33.97
	2016	3.25	2	5.50	46.71
Repayment Period	2017	3.75	2	5.75	70.21
	2018	4.50	2	6.50	74.56
	2019	5.50	2	7.50	80.56
	2020	4.75	2	6.75	76.04
	2021	3.25	2	5.25	67.38
	2022	3.25	2	5.25	67.38
	2023	7.50	2	9.50	93.21
	2024	8.50	2	10.50	99.84
	2025	7.50	2	9.50	93.21
	2026	6.75	2	8.75	88.17



This is a margin Houston Police Federal Credit Union have used recently; my margin may be different.

^This APR is the actual percentage used to calculate the daily periodic rate, which is then used to calculate the monthly payment.

~For the purpose of calculating the minimum monthly payment during the Draw Period, it is assumed that there are 31 days in a billing cycle.

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