



HOME EQUITY LINES OF CREDIT Members' Information Bulletin

What is a Home Equity Line of Credit

Many members own homes in which the value of the property is greater than existing mortgage debt. The difference between the value of the home and the mortgage debt is called equity. A new line of credit can be obtained, generally at a favorable interest rate, by offering to grant the lender a security interest (sometimes called a second mortgage) in the equity value of the home. This service is an open end line of credit designed for members interested in a Home Equity Loan with the convenience of a line of credit. Members are able to take advances as needed, rather than a lump sum. We offer two lines of credit, a variable rate and a fixed rate. The variable rate is tied to prime rate and may change only two times per year. Home Equity lines of credit can be used for any purpose such as home improvement, education, debt consolidation or other reasonable expenses.

Eligibility

Application for a home equity line of credit may be made by any member of the Credit Union who is the owner and occupant of a residence in which the available equity plus existing mortgage loan(s) is estimated to be not greater than 85% of the appraised value of that property.

Income Tax Implications

Borrowers using home equity as security are advised to consult with a tax specialist regarding the income tax implications for interest paid on a home equity loan.

Repayment Terms

Payment is based upon a level amortization schedule with a maximum of 15 years for owner occupied residential property.

Late payment

After 10 days, a penalty of 2% of the payment due is assessed and payable.

Early repayment penalty

No interest penalty is assessed for early repayment. Reimbursement to the Credit Union for its share of closing costs is due and payable as described below under Sharing of closing costs.

Sharing of closing costs

Closing costs include such items as appraisal, title insurance, mortgage tax and legal fees. The Credit Union will provide an estimate of closing costs at the time of application. The Credit Union will pay 100% of all closing costs over the term of the loan. In the case of early repayment before the loan term surpasses the 36 month mark, the borrower is responsible for paying a pro-rated balance of closing costs.

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Appraisals

The appraisal of all real estate offered for security for a home equity loan is made by an independent certified or licensed appraiser and obtained, as needed, by the Credit Union.

Hazard Insurance

All property offered as security must be insured against loss due to fire and other hazards. Such insurance must also include extended coverage. The insurance company providing such coverage shall be requested to issue statement listing the Credit Union as first second or other mortgagee with financial interest in the mortgaged property. The policy must be in an amount not less than the lower of the original loan balance or the replacement value of the structure.

Flood Insurance

Where flood insurance is required, the amount of insurance must be equal to the outstanding balance of the loan or the maximum amount available under the Flood Disaster Protection Act, whichever is less. Evidence of this coverage must be submitted to the Credit Union at closing and must remain in force until the loan is repaid. If this insurance is not provided, the loan is cancelled.

Subsequent Loans

A borrower may apply for a subsequent loan against any unused equity covered in the original mortgage. The interest rate applicable to the new loan will be the rate in effect at the time that such subsequent loan is obtained. This rate may be greater or smaller than the rate of the original loan. The borrower may request that any previous unpaid loan balance be consolidated with a subsequent loan and that the total amount become payable as a new loan. In such case a blended rate may be established. The borrower may choose to obtain separate notes and payment schedules. Any fee for subsequent searches will be paid in full by the borrower or shared by the Credit Union as described above and as agreed at the time of this subsequent loan.

Lending Decision

As with all lending decisions, the Credit Committee/ Loan Officer will use the following sources of information:

- I. Debt ratios
- II. Security of employment
- III. Borrowing history at the Credit Union
- IV. Value of security offered
- V. Information from credit report, including credit score and credit history (Credit Bureau)
- VI. The decision to grant the loan will also be affected by availability of funds and other factors deemed appropriate by the Credit Committee/Loan Officer.

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What if I own the property jointly?

A If the property is owned jointly by you and your spouse or another person, both of you must sign the application, the mortgage documents and, if requested by the credit union, vouchers or notes required to obtain advances. The property will be subject to a lien for all advances made to either of you up to the maximum credit line even if you had no knowledge of a particular advance to the other owner.

May I use a credit line mortgage to purchase a property?

The credit line mortgage may be used to purchase property other than the same property, which will be pledged as collateral for repayment of the loan.

What if I want to learn more about the plan?

A copy of the Home Equity Credit Line agreement is available upon request. In addition, Credit Union personnel will answer any questions you may have.



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HOEPA (Home Ownership and Equity Protection Act Policy)

The new Home Ownership and Equity Protection Act (HOEPA) Rule (effective January 10, 2014) is a part of the Consumer Financial Protection Bureau (CFPB) Mortgage Rule release. One of the changes credit unions face when providing mortgage loans to members is the new requirements for credit counseling.

Written List of Housing Counselors

Credit Unions are required to provide a list of homeownership counseling organizations to members within three business days after they apply for a mortgage loan. This includes first and subordinate liens on residential real property designed for one to four families, with the exclusion of reverse mortgages and mortgage loans secured by a timeshare.

Members may obtain a list of credit counselors by following these steps:

- I. Go to the CFPB's website, www.consumerfinance.gov/find-a-housing-counselor.
- II. Type in your zip code and select "Find A Counselor"
- III. A map and a list of counselors in your area will be provided.

Housing counseling agencies approved by the U.S. Department of Housing and Urban Development (HUD) can offer independent advice about whether a particular set of mortgage loan terms is a good fit based on your objectives and circumstances, often at little or no cost.

If you are interested in contacting a HUD-approved housing counseling agency in your area, you can visit the Consumer Financial Protection Bureau's (CFPB) website, www.consumerfinance.gov/find-a-housing-counselor, and enter your zip code.

You can also access HUD's housing counseling agency website via www.consumerfinance.gov/mortgagehelp.

For additional assistance with locating a housing counseling agency, call the CFPB at 1-855-411-CFPB (2372).



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