

WHAT YOU SHOULD KNOW ABOUT

# Home Equity Lines of Credit (HELOC)

---

Borrowing from the  
value of your home



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](https://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   |
|---|---|------------------------|-----------------------|---|---|
| <b>HELOC</b><br><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  |
| <b>SECOND MORTGAGE OR HOME EQUITY LOAN</b><br><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                                       |
| <b>CASH-OUT REFINANCE</b><br><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             |
| <b>PERSONAL LINE OF CREDIT</b><br><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><b>RETIREMENT PLAN LOAN</b><br/> <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><b>HOME EQUITY CONVERSION MORTGAGE (HECM)</b><br/> <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><b>CREDIT CARD</b><br/> <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><b>FRIENDS AND FAMILY</b><br/> <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](https://cfpb.gov)

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

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

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

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



## SECTION I: What You Should Know About Home Equity Lines of Credit

### Introduction

If you are in the market for credit, a home equity plan is one of several options that might be right for you. Before making a decision, however, you should weigh carefully the costs of a home equity line against the benefits. Shop for the credit terms that best meet your borrowing needs without posing undue financial risks. And remember, failure to repay the amounts you've borrowed, plus interest, could mean the loss of your home.

### What is a home equity line of credit?

A home equity line of credit is a form of revolving credit in which your home serves as collateral. Because a home often is a consumer's most valuable asset, many homeowners use home equity credit lines only for major items, such as education, home improvements, or medical bills and choose not to use them for day-to-day expenses.

With a home equity line, you will be approved for a specific amount of credit. Many lenders set the credit limit on a home equity line by taking a percentage (say, 75%) of the home's appraised value and subtracting from that the balance owed on the existing mortgage. For example:

|                                      |                   |
|--------------------------------------|-------------------|
| Appraised value of home              | \$100,000         |
| Percentage                           | x 75%             |
| Percentage of appraised value        | = \$ 75,000       |
| <u>Less balance owed on mortgage</u> | <u>-\$ 40,000</u> |
| Potential line of credit             | \$ 35,000         |

In determining your actual credit limit, the lender will also consider your ability to repay the loan (principal and interest) by looking at your income, debts, and other financial obligations as well as your credit history.

Many home equity plans set a fixed period during which you can borrow money, such as 10 years. At the end of this "draw period," you may be allowed to renew the credit line. If your plan does not allow renewals, you will not be able to borrow additional money once the period has ended. Some plans may call for payment in full of any outstanding balance at the end of the period. Others may allow repayment over a fixed period (the "repayment period"), for example, 10 years.

Once approved for a home equity line of credit, you will most likely be able to borrow up to your credit limit whenever you want. Typically, you will use special checks to draw on your line. Under some plans, borrowers can use a credit card or other means to draw on the line.

There may be other limitations on how you use the line. Some plans may require you to borrow a minimum amount each time you draw on the line (for example, \$300) or keep a minimum amount outstanding. Some plans may also require that you take an initial advance when the line is set up.

### What should you look for when shopping for a plan?

If you decide to apply for a home equity line of credit, look for the plan that best meets your particular needs. Read the credit agreement carefully, and examine the terms and conditions of various plans, including the annual percentage rate (APR) and the costs of establishing the plan. Remember, though, that the APR for a home equity line is based on the interest rate alone and will not reflect the closing costs and other fees and charges, so you'll need to compare these costs, as well as the APRs, among lenders.

### Variable interest rates

Home equity lines of credit typically involve variable rather than fixed interest rates. The variable rate must be based on a publicly available index (such as the prime rate published in some major daily newspapers or a U.S. Treasury bill rate). In such cases, the interest rate you pay for the line of credit will change, mirroring changes in the value of the index. Most lenders cite the interest rate you will pay as the value of the index at a particular time, plus a "margin," such as 2 percentage points. Because the cost of borrowing is tied directly to the value of the index, it is important to find out which index is used, how often the value of the index changes, and how high it has risen in the past. It is also important to note the amount of the margin.

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

Variable-rate plans secured by a dwelling must, by law, have a ceiling (or cap) on how much your interest rate may increase over the life of the plan. Some variable-rate plans limit how much your payment may increase and how low your interest rate may fall if the index drops.

Some lenders allow you to convert from a variable interest rate to a fixed rate during the life of the plan, or let you convert all or a portion of your line to a fixed-term installment loan.

### Costs of establishing and maintaining a home equity line

Many of the costs of setting up a home equity line of credit are similar to those you pay when you buy a home. For example:

- A fee for a property appraisal to estimate the value of your home;
- An application fee, which may not be refunded if you are turned down for credit;
- Up-front charges, such as one or more points (one point equals 1 percent of the credit limit); and
- Closing costs, including fees for attorneys, title search, mortgage preparation and filing, property and title insurance, and taxes.

In addition, you may be subject to certain fees during the plan period, such as annual membership or maintenance fees and a transaction fee every time you draw on the credit line.

You could find yourself paying hundreds of dollars to establish the plan. And if you were to draw only a small amount against your credit line, those initial charges would substantially increase the cost of the

funds borrowed. On the other hand, because the lender's risk is lower than for other forms of credit, as your home serves as collateral, annual percentage rates for home equity lines are generally lower than rates for other types of credit. The interest you save could offset the costs of establishing and maintaining the line. Moreover, some lenders waive some or all of the closing costs.

### **How will you repay your home equity plan?**

Before entering into a plan, consider how you will pay back any money you borrow. Some plans set a minimum monthly payment that includes a portion of the principal (the amount you borrow) plus accrued interest. But, unlike with typical installment loan agreements, the portion of your payment that goes toward principal may not be enough to repay the principal by the end of the term. Other plans may allow payment of *interest only* during the life of the plan, which means that you pay nothing toward the principal. If you borrow \$10,000, you will owe that amount when the payment plan ends.

Regardless of the minimum required payment on your home equity line, you may choose to pay more, and many lenders offer a choice of payment options. However, some lenders may require you to pay special fees or penalties if you choose to pay more, so check with your lender. Many consumers choose to pay down the principal regularly as they do with other loans. For example, if you use your line to buy a boat, you may want to pay it off as you would a typical boat loan.

Whatever your payment arrangements during the life of the plan - whether you pay some, a little, or none of the principal amount of the loan - when the plan ends, you may have to pay the entire balance owed, all at once. You must be prepared to make this “balloon payment” by refinancing it with the lender, by obtaining a loan from another lender, or by some other means. If you are unable to make the balloon payment, you could lose your home.

If your plan has a variable interest rate, your monthly payments may change. Assume, for example, that you borrow \$10,000 under a plan that calls for interest-only payments. At a 10 percent interest rate, your monthly payments would be \$83. If the rate rises over time to 15 percent, your monthly payments will increase to \$125. Similarly, if you are making payments that cover interest plus some portion of the principal, your monthly payments may increase, unless your agreement calls for keeping payments the same throughout the plan period.

If you sell your home, you will probably be required to pay off your home equity line in full immediately. If you are likely to sell your home in the near future, consider whether it makes sense to pay the up-front costs of setting up a line of credit. Also keep in mind that renting your home may be prohibited under the terms of your agreement.

### **Lines of credit vs. traditional second mortgage loans**

If you are thinking about a home equity line of credit, you might also want to consider a traditional second mortgage loan. This type of loan provides you with a fixed amount of money, repayable over a fixed period. In most cases, the payment schedule calls for equal payments that pay off the entire loan within the loan period. You might consider a second mortgage instead of a home equity line if, for

example, you need a set amount for a specific purpose, such as an addition to your home.

In deciding which type of loan best suits your needs, consider the costs under the two alternatives. Look at both the APR and other charges. Do not, however, simply compare the APRs, because the APRs on the two types of loans are figured differently:

- The APR for a traditional second mortgage takes into account the interest rate charged plus points and other finance charges.
- The APR for a home equity line is based on the periodic interest rate alone. It does not include points or other charges.

### **Disclosures from lenders**

The federal Truth in Lending Act requires lenders to disclose the important terms and costs of their home equity plans, including the APR, miscellaneous charges, the payment terms, and information about any variable-rate feature. And in general, neither the lender nor anyone else may charge a fee until after you have received this information. You usually get these disclosures when you receive an application form, and you will get additional disclosures before the plan is opened. If any term (other than a variable-rate feature) changes before the plan is opened, the lender must return all fees if you decide not to enter into the plan because of the change. Lenders are also required to provide you with a list of homeownership counseling organizations in your area.

When you open a home equity line, the transaction puts your home at risk. If the home involved is your principal dwelling, the Truth in Lending Act gives you three days from the day the account was opened to cancel the credit line. This right allows you to change your mind for any reason. You simply inform the lender in writing within the three-day period. The lender must then cancel its security interest in your home and return all fees - including any application and appraisal fees - paid to open the account.

The Home Ownership and Equity Protection Act of 1994 (HOEPA) addresses certain unfair practices and establishes requirements for certain loans with high rates and fees, including certain additional disclosures. HOEPA now covers some HELOCs. You can find out more information by contacting the CFPB at the website address and phone number listed in the Contact information appendix, below.

### **What if the lender freezes or reduces your line of credit?**

Plans generally permit lenders to freeze or reduce a credit line if the value of the home “declines significantly” or, when the lender “reasonably believes” that you will be unable to make your payments due to a “material change” in your financial circumstances. If this happens, you may want to:

- **Talk with your lender.** Find out what caused the lender to freeze or reduce your credit line and what, if anything, you can do to restore it. You may be able to provide additional information to restore your line of credit, such as documentation showing that your house has retained its value or that there has not been a “material change” in your financial circumstances. You may want to get copies of your credit reports (go to the CFPB’s website at [consumerfinance.gov/askcfpb/5/can-i-review-](http://consumerfinance.gov/askcfpb/5/can-i-review-)

my-credit-report.html for information about how to get free copies of your credit reports) to make sure all the information in them is correct. If your lender suggests getting a new appraisal, be sure you discuss appraisal firms in advance so that you know they will accept the new appraisal as valid.

- **Shop around for another line of credit.** If your lender does not want to restore your line of credit, shop around to see what other lenders have to offer. If another lender is willing to offer you a line of credit, you may be able to pay off your original line of credit and take out another one. Keep in mind, however, that you may need to pay some of the same application fees you paid for your original line of credit.

## Appendix A:

### Defined terms

This glossary provides general definitions for terms commonly used in the real estate market. They may have different legal meanings depending on the context.

**Annual membership or maintenance fee.** An annual charge for access to a financial product such as a line of credit, credit card, or account. The fee is charged regardless of whether or not the product is used.

**Annual percentage rate (APR).** The cost of credit, expressed as a yearly rate. For closed-end credit, such as car loans or mortgages, the APR includes the interest rate, points, broker fees, and other credit charges that the borrower is required to pay. An APR, or an equivalent rate, is not used in leasing agreements.

**Application fee.** Fees charged when you apply for a loan or other credit. These fees may include charges for property appraisal and a credit report.

**Balloon payment.** A large extra payment that may be charged at the end of a mortgage loan or lease.

**Cap (interest rate).** A limit on the amount that your interest rate can increase. Two types of interest-rate caps exist. *Periodic adjustment caps* limit the interest-rate increase from one adjustment period to the next. *Lifetime caps* limit the interest-rate increase over the life of the loan. By law, all adjustable-rate mortgages have an overall cap.

**Closing or settlement costs.** Fees paid when you close (or settle) on a loan. These fees may include application fees; title examination, abstract of title, title insurance, and property survey fees; fees for preparing deeds, mortgages, and settlement documents; attorneys' fees; recording fees; estimated costs of taxes and insurance; and notary, appraisal, and credit report fees. Under the Real Estate Settlement Procedures Act, the borrower receives a good faith estimate of closing costs within three days of application. The good faith estimate lists each expected cost as an amount or a range.

**Credit limit.** The maximum amount that may be borrowed on a credit card or under a home equity line of credit.

**Equity.** The difference between the fair market value of the home and the outstanding balance on your mortgage plus any outstanding home equity loans.

**Index.** The economic indicator used to calculate interest-rate adjustments for adjustable-rate mortgages or other adjustable-rate loans. The index rate can increase or decrease at any time. See also Selected index rates for ARMs over an 11-year period ([consumerfinance.gov/f/201204\\_CFPB\\_ARMs-brochure.pdf](http://consumerfinance.gov/f/201204_CFPB_ARMs-brochure.pdf)) for examples of common indexes that have changed in the past.

**Interest rate.** The percentage rate used to determine the cost of borrowing money, stated usually as a percentage of the principal loan amount and as an annual rate.

**Margin.** The number of percentage points the lender adds to the index rate to calculate the ARM interest rate at each adjustment.

**Minimum payment.** The lowest amount that you must pay (usually monthly) to keep your account in good standing. Under some plans, the minimum payment may cover interest only; under others, it may include both principal and interest.

**Points (also called discount points).** One point is equal to 1 percent of the principal amount of a mortgage loan. For example, if a mortgage is \$200,000, one point equals \$2,000. Lenders frequently charge points in both fixed-rate and adjustable-rate mortgages to cover loan origination costs or to provide additional compensation to the lender or broker. These points usually are paid at closing and may be paid by the borrower or the home seller, or may be split between them. In some cases, the money needed to pay points can be borrowed (incorporated in the loan amount), but doing so will increase the loan amount and the total costs. Discount points (also called discount fees) are points that you voluntarily choose to pay in return for a lower interest rate.

**Security interest.** If stated in your credit agreement, a creditor's, lessor's, or assignee's legal right to your property (such as your home, stocks, or bonds) that secures payment of your obligation under the credit agreement. The property that secures payment of your obligation is referred to as "collateral."

**Transaction fee.** Fee charged each time a withdrawal or other specified transaction is made on a line of credit, such as a balance transfer fee or a cash advance fee.

**Variable rate.** An interest rate that changes periodically in relation to an index, such as the prime rate. Payments may increase or decrease accordingly.

**Home Equity Plan Checklist**  
Ask your lender to help fill out this checklist.

| <b>Basic Features for comparison</b> | <b>Plan A</b> | <b>Plan B</b> |
|--------------------------------------|---------------|---------------|
| Fixed annual percentage rate         | %             | %             |
| Variable annual percentage rate      | %             | %             |
| ▪ Index used and current value       | %             | %             |
| ▪ Amount of margin                   |               |               |
| ▪ Frequency of rate adjustments      |               |               |
| ▪ Amount/length of discount(if any)  |               |               |
| ▪ Interest rate cap and floor        |               |               |
| <b>Length of plan</b>                |               |               |
| Draw period                          |               |               |
| Repayment period                     |               |               |
| <b>Initial fees</b>                  |               |               |
| Appraisal fee                        |               |               |
| Application fee                      |               |               |
| Up-front charges, including points   |               |               |
| Closing costs                        |               |               |
| <b>Repayment Terms</b>               |               |               |
| <b>During the draw period</b>        |               |               |
| Interest and principal payments      |               |               |
| Interest-only payments               |               |               |
| Fully amortizing payments            |               |               |
| <b>When the draw period ends</b>     |               |               |
| Balloon payment?                     |               |               |
| Renewal available?                   |               |               |
| Refinancing of balance by lender?    |               |               |

**Appendix B:**

**More information**

For more information about mortgages, including home equity lines of credit, visit [consumerfinance.gov/mortgage](http://consumerfinance.gov/mortgage). For answers to questions about mortgages and other financial topics, visit [consumerfinance.gov/owning-a-home](http://consumerfinance.gov/owning-a-home) to access interactive tools and resources for mortgage shoppers, which are expected to be available beginning in 2014.

Housing counselors can be very helpful, especially for first-time home buyers or if you're having trouble paying your mortgage. The U.S. Department of Housing and Urban Development (HUD) supports housing counseling agencies throughout the country that can provide free or low-cost advice. You can search for HUD-approved housing counseling agencies in your area on the CFPB's web site at [consumerfinance.gov/find-a-housing-counselor](http://consumerfinance.gov/find-a-housing-counselor) or by calling HUD's interactive toll-free number at 800-569-4287.

The Company that collects your mortgage payments is your loan servicer. This may not be the same company as your lender. If you have concerns about how your loan is being serviced or another aspect of your mortgage, you may wish to submit a complaint to the CFPB at [consumerfinance.gov/complaint](http://consumerfinance.gov/complaint) or by calling (855) 411-CFPB (2372).

When you submit a complaint to the CFPB, the CFPB will forward your complaint to the company and work to get a response. Companies have 15 days to respond to you and the CFPB. You can review the company's response and give feedback to the CFPB.

**Appendix C:**

**Contact information**

For additional information or to submit a complaint, you can contact the CFPB or one of the other federal agencies listed below, depending on the type of institution. If you are not sure which agency to contact, you can submit a complaint to the CFPB and if the CFPB determines that another agency would be better able to assist you, the CFPB will refer your complaint to that agency and let you know.

**Consumer Financial Protection Bureau (CFPB)**  
P.O. Box 4503  
Iowa City, IA 52244  
(855) 411-CFPB (2372)  
[consumerfinance.gov](http://consumerfinance.gov) or  
[consumerfinance.gov/complaint](http://consumerfinance.gov/complaint)

Insured depository institutions and credit unions with assets greater than \$10 billion (and their affiliates), and non-bank providers of consumer financial products and services, including mortgages, credit cards, debt collection, consumer reports, prepaid cards, private education loans, and payday lenders.

**Board of Governors of the Federal Reserve System (FRB)**  
Consumer Help  
PO Box 1200  
Minneapolis, MN 55480  
(888) 851-1920  
[federalreserveconsumerhelp.gov](http://federalreserveconsumerhelp.gov)

Federally insured state-chartered bank members of the Federal Reserve System

**Office of the Comptroller of the Currency (OCC)**  
Customer Assistance Group  
1301 McKinney Street, Suite 3450  
Houston, TX 77010  
(800) 613-6743  
[occ.treas.gov](http://occ.treas.gov) or [helpwithmybank.gov](http://helpwithmybank.gov)

National banks and federally chartered savings banks/associations

**Federal Deposit Insurance Corporation (FDIC)**  
Consumer Response Center  
1100 Walnut St, Box #11  
Kansas City, MO 64106  
(877) ASK-FDIC or (877) 275-3342  
[fdic.gov](http://fdic.gov) or [fdic.gov/consumers](http://fdic.gov/consumers)

Federal insured state-chartered banks that are not members of the Federal Reserve System

**Federal Housing Finance Agency (FHFA)**  
Consumer Communications  
Constitution Center  
400 7<sup>th</sup> Street, S.W.  
Washington, DC 20024  
Consumer Helpline (202) 649-3811  
fhfa.gov or  
fhfa.gov/Default.aspx?Page=369ConsumerHelp@fhfa.gov

Fannie Mae, Freddie Mac, and the Federal Home Loan Banks

**National Credit Union Administration (NCUA)**  
Customer Assistance  
1775 Duke Street  
Alexandria, VA 22314  
(800) 755-1030  
ncua.gov or mycreditunion.gov

Federally chartered credit unions

**Federal Trade Commission (FTC)**  
Consumer Response Center  
600 Pennsylvania Avenue, N.W.  
Washington, D.C. 20580  
(877) FTC-HELP or (877) 382-4357  
ftc.gov or ftc.gov/bcp

Finance companies, retail stores, auto dealers, mortgage companies and other lenders, and credit bureaus

**Securities and Exchange Commission (SEC)**  
Complaint Center  
100 F Street, N.E.  
Washington, DC 20549  
(202) 551-6551  
sec.gov or sec.gov/complaint/select.shtml

Brokerage firms, mutual fund companies, and investment advisers

**Farm Credit Administration**  
**Office of Congressional and Public Affairs**  
1501 Farm Credit Drive  
McLean, VA 22102  
(703) 883-4056  
fca.gov

Agricultural lenders

**Small Business Administration (SBA)**  
Consumer Affairs  
409 3<sup>rd</sup> Street, S.W.  
Washington, DC 20416  
(800) U-ASK-SBA or (800) 827-5722  
sba.gov

Small Business Lenders

**Commodity Futures Trading Commission (CFTC)**  
1155 21<sup>st</sup> Street, N.W.  
Washington, DC 20581  
(866) 366-2382  
cftc.gov/consumer-protection

Commodity brokers, commodity trading advisors, commodity pools, and introducing brokers

**U.S. Department of Justice (DOJ)**  
Civil Rights Division  
950 Pennsylvania Avenue, N.W.  
Housing and Civil Enforcement Section  
Washington, DC 20530  
(202) 514-4713  
TTY: (202) 305-1882  
FAX: (202) 514-1116  
To report an incident of housing discrimination: 1-800-896-7743  
fairhousing@usdoj.gov

Fair lending and housing issues

**Department of Housing and Urban Development (HUD)**  
Office of Fair Housing/Equal Opportunity  
451 7<sup>th</sup> Street, S.W.  
Washington, DC 20410  
(800) 669-9777  
Hud.gov/complaints

Fair lending and housing issues

**SECTION II:  
IMPORTANT TERMS OF OUR 5 YEAR DRAW – 20 YEAR REPAYMENT HOME EQUITY LINE OF  
CREDIT ACCOUNT**

This disclosure contains important information about our Home Equity Line of Credit. (For definitions of some of the terms used see paragraph 13 below). You should read it carefully and keep copy for your records.

**1. Availability of Terms:** All of the terms described below are subject to change by us.

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.

**2. Security Interest:** We will take a mortgage on your home. You could lose your home if you do not meet the obligations in your agreement with us.

**3. Possible Actions:**

- a. We can terminate your account, and require you to pay us the entire outstanding balance in one payment (“accelerate”) if any one of the following “events of default” occurs:
  - You engage in fraud or material misrepresentation in connection with the line.
  - You do not meet the repayment terms.
  - Your action or inaction adversely affects the collateral or our rights in the collateral.
- b. We can also refuse to make additional extensions of credit or reduce your credit limit, if:
  - The value of the dwelling securing the line declines significantly below its appraised value for purposes of the 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 of a material obligation in the agreement or an “event of default” is occurring.
    - Government action prevents us from imposing the annual percentage rate provided for in the agreement, or impairs our security interest such that the value of the interest is less than 120 percent of the credit line.
    - Our regulatory agency has notified us that continued advances would constitute an unsafe and unsound practice.
    - The maximum annual percentage rate is reached.
- c. The initial Agreement permits us to make changes to the terms of the Agreement at specified times or upon the occurrence specified events.

**4. Minimum Payment Requirements:** After you open an account, you can obtain loan advances for the first five (5) years. This period is called the “Borrowing Period”. During the Borrowing Period, payments will be due monthly and will equal the interest that has accrued on outstanding balances plus any fees that you owe us. Payment of this minimum payment alone will not repay any of the principal balance that you may have borrowed through loan advances.

After the expiration of the Borrowing Period, your Account will enter a “Repayment Period”. The Repayment Period will last approximately twenty (20). During the Repayment Period, payments will be due monthly and your minimum payment will be equal to a “Principal Component” plus the interest and fees for the monthly billing cycle. The Principal Component will be equal to the greater of (i) 1/240<sup>th</sup> of principal balance that is outstanding as of the end of the Borrowing Period, or (ii) \$50. If the result of this calculation produces a minimum payment that is greater than your total outstanding account balance, your minimum payment will be equal to your total outstanding account balance. Note that by only paying the minimum payment, you may not completely pay off all principal by the final maturity date.

**5. Fees to Open and Maintain an Account:**

- (a) Lawyer’s Fees. If your credit limit is above \$250,000, we may, at our option, have a lawyer represent us in the transaction (including title work) and will you have to pay the attorney’s fees before we will open the account. We estimate that these fees will range from \$400 to \$800. If your credit limit is \$250,000 or less, you will not have to pay any fees to third parties (other than hazard and flood insurance, if applicable). In some cases, we may require these loans to be closed by an attorney and you will have to pay all the third party fees including attorney fees.
- (b) Annual Membership Fee and Hazard Insurance. In order to maintain an account, you must pay of an Annual Membership Fee of \$50.00 due each year during the Borrowing Period. We also require that you maintain adequate fire and other hazard insurance (including where applicable, flood insurance) with respect to your home.
- (c) Appraisal Fee. In some cases you may have to pay an appraisal fee. We estimate that this fee will range from \$140 to \$400.

**6. Minimum Draw Requirement:** The minimum credit advance that you can receive is \$500.

**7. Tax Deductibility:** You should consult a tax advisor regarding the deductibility of interest and charges that are imposes in connection with the account.

- 8. Variable Rate Feature:** The account has a variable-rate feature. The annual percentage rate (corresponding to the daily periodic rate) can change on a monthly basis and the minimum monthly payment can change as a result. The annual percentage rates disclosed in this statement include only interest and no other costs.

The annual percentage rate is based on the value of an Index. The "Index" is the rate published in the *Wall Street Journal*, Eastern Edition, under the heading "Money Rates" and shown as "prime rate" or "base rate on corporate loans posted by at least 75% of the nation's 30 largest banks" or similar language used by the *Journal* for that index. If more than one rate is shown, we use the highest. To determine the annual percentage rate each monthly billing cycle, we subtract a "Discount" from or add a "Premium" to the applicable Index value. Ask us for the current Index value, Discount/Premium and annual percentage rate. After you open an account, rate information will be provided on periodic statements that we send to you.

**9. Rate Changes:**

The annual percentage rate can change monthly. Over the life of the account, the \*ANNUAL PERCENTAGE RATE\* cannot increase above 15% ("lifetime cap") nor decrease below 5.50% ("lifetime floor"). Apart from the lifetime cap and lifetime floor, there are no other limits on the amount by which the rate can change during any one-year period.

**10. Minimum Payment Example:**

If you made only the minimum payments and took no other advances, it would take 25 years (estimate) to pay off an advance of \$10,000. By way of example, if we assume an \*\*ANNUAL PERCENTAGE RATE\*\* of 7.75% with respect to the Borrowing Period you would be required to make 60 minimum monthly payments of \$65.82 (estimated). Assuming the same Annual Percentage Rate, with respect to the Repayment Period you would be required to make 240 monthly payments varying from \$88.38 to \$41.67 (estimated).

- 11. Maximum Rate and Payment Examples:** If you had an outstanding balance of \$10,000, the minimum monthly payment at the maximum \*\*ANNUAL PERCENTAGE RATE\*\* of 15% would be \$127.40. If you had an outstanding balance of \$10,000 at the beginning of the Repayment Period, the minimum monthly payment at the maximum \*\*ANNUAL PERCENTAGE RATE\*\* of 15% would be \$169.07. The maximum annual percentage rate could be reached as early as the start of the first complete monthly billing cycle.

- 12. Historical Example:** The following table shows how the ANNUAL PERCENTAGE RATE and the minimum monthly payments for a \$10,000 outstanding balance would have changed based on changes in the index over the past 15 years. The index values are from the Wall Street Journal published on the first business day of September of each year.

The table assumes that no additional loan advances were taken, that the balance remained exactly at \$10,000 throughout the Borrower Period, 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 minimum monthly payment does not reflect the membership fee, which is charged once a year during the Borrowing Period. While only one payment amount per year is shown, payment would have varied during each year.

(0 to 80% LTV)

|                  | YEAR | INDEX (%)<br>(a) | PREMIUM (%)<br>(a) | ANNUAL PERCENTAGE RATE (%) | MONTHLY MINIMUM PAYMENT (\$) |
|------------------|------|------------------|--------------------|----------------------------|------------------------------|
| Borrowing Period | 2011 | 3.25             | 0.25               | 5.50 (b)                   | 46.71                        |
|                  | 2012 | 3.25             | 0.25               | 5.50 (b)                   | 46.71                        |
|                  | 2013 | 3.25             | 0.25               | 5.50 (b)                   | 46.71                        |
|                  | 2014 | 3.25             | 0.25               | 5.50 (b)                   | 46.71                        |
|                  | 2015 | 3.25             | 0.25               | 5.50 (b)                   | 46.71                        |
| Repayment Period | 2016 | 3.50             | 0.25               | 5.50 (b)                   | 88.38                        |
|                  | 2017 | 4.25             | 0.25               | 5.50 (b)                   | 88.38                        |
|                  | 2018 | 5.00             | 0.25               | 5.50 (b)                   | 88.38                        |
|                  | 2019 | 5.25             | 0.25               | 5.50                       | 88.38                        |
|                  | 2020 | 3.25             | 0.25               | 5.50 (b)                   | 88.38                        |
|                  | 2021 | 3.25             | 0.25               | 5.50 (b)                   | 86.05                        |
|                  | 2022 | 5.50             | 0.25               | 5.75                       | 85.62                        |
|                  | 2023 | 8.50             | 0.25               | 8.75                       | 104.84                       |
|                  | 2024 | 8.50             | 0.25               | 8.75                       | 101.12                       |
| 2025             | 7.50 | 0.25             | 7.75               | 91.04                      |                              |

(a) This is an "Index" we have used recently and a "Premium" we have used recently.

(b) This rate reflects the 5.50% floor.

**13. Definitions:**

"We", "us", and "our" refer to The Ion Bank, 251 Church Street, Naugatuck, CT 06770. "You" and "your" refer to each person who signs the "agreement". "Account" means your Home Equity Line of Credit account. The "agreement" is the document that creates the account. The

“mortgage deed” is the document, signed by those who own the home, which gives us the mortgage on your home. “Your home” refers to the dwelling securing the account without regard to who owns it or whether or not it is your principal dwelling.

## **IMPORTANT TERMS OF OUR 10 YEAR DRAW – 15 YEAR REPAYMENT HOME EQUITY LINE OF CREDIT ACCOUNT**

This disclosure contains important information about our Home Equity Line of Credit. (For definitions of some of the terms used see paragraph 26 below). You should read it carefully and keep copy for your records.

**14. Availability of Terms:** All of the terms described below are subject to change by us.

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.

**15. Security Interest:** We will take a mortgage on your home. You could lose your home if you do not meet the obligations in your agreement with us.

**16. Possible Actions:**

- a. We can terminate your account, and require you to pay us the entire outstanding balance in one payment (“accelerate”) if any one of the following “events of default” occurs:
  - You engage in fraud or material misrepresentation in connection with the line.
  - You do not meet the repayment terms.
  - Your action or inaction adversely affects the collateral or our rights in the collateral.
- b. We can also refuse to make additional extensions of credit or reduce your credit limit, if:
  - The value of the dwelling securing the line declines significantly below its appraised value for purposes of the 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 of a material obligation in the agreement or an “event of default” is occurring.
    - Government action prevents us from imposing the annual percentage rate provided for in the agreement, or impairs our security interest such that the value of the interest is less than 120 percent of the credit line.
    - Our regulatory agency has notified us that continued advances would constitute an unsafe and unsound practice.
    - The maximum annual percentage rate is reached.
- c. The initial Agreement permits us to make changes to the terms of the Agreement at specified times or upon the occurrence specified events.

**17. Minimum Payment Requirements:** After you open an account, you can obtain loan advances for the first ten (10) years. This period is called the “Borrowing Period”. During the Borrowing Period, payments will be due monthly and will equal the interest that has accrued on outstanding balances plus any fees that you owe us. Payment of this minimum payment alone will not repay any of the principal balance that you may have borrowed through loan advances.

After the expiration of the Borrowing Period, your Account will enter a “Repayment Period”. The Repayment Period will last approximately fifteen (15) years. During the Repayment Period, payments will be due monthly and your minimum payment will be equal to a “Principal Component” plus the interest and fees for the monthly billing cycle. The Principal Component will be equal to the greater of (i) 1/180<sup>th</sup> of principal balance that is outstanding as of the end of the Borrowing Period, or (ii) \$50. If the result of this calculation produces a minimum payment that is greater than your total outstanding account balance, your minimum payment will be equal to your total outstanding account balance. Note that by only paying the minimum payment, you may not completely pay off all principal by the final maturity date.

**18. Fees to Open and Maintain an Account:**

- (d) Lawyer’s Fees. If your credit limit is above \$250,000, we may, at our option, have a lawyer represent us in the transaction (including title work) and will you have to pay the attorney’s fees before we will open the account. We estimate that these fees will range from \$400 to \$800. If your credit limit is \$250,000 or less, you will not have to pay any fees to third parties (other than hazard and flood insurance, if applicable). In some cases, we may require these loans to be closed by an attorney and you will have to pay all the third party fees including attorney fees.
- (e) Annual Membership Fee and Hazard Insurance. In order to maintain an account, you must pay of an Annual Membership Fee of \$50.00 due each year during the Borrowing Period. We also require that you maintain adequate fire and other hazard insurance (including where applicable, flood insurance) with respect to your home.
- (f) Appraisal Fee. In some cases you may have to pay an appraisal fee. We estimate that this fee will range from \$140 to \$400.

**19. Minimum Draw Requirement:** The minimum credit advance that you can receive is \$500.

**20. Tax Deductibility:** You should consult a tax advisor regarding the deductibility of interest and charges that are imposed in connection with the account.

**21. Variable Rate Feature:** The account has a variable-rate feature. The annual percentage rate (corresponding to the daily periodic rate) can change on a monthly basis and the minimum monthly payment can change as a result. The annual percentage rates disclosed in this statement include only interest and no other costs.

The annual percentage rate is based on the value of an Index. The "Index" is the rate published in the *Wall Street Journal*, Eastern Edition, under the heading "Money Rates" and shown as "prime rate" or "base rate on corporate loans posted by at least 75% of the nation's 30 largest banks" or similar language used by the *Journal* for that index. If more than one rate is shown, we use the highest. To determine the annual percentage rate each monthly billing cycle, we subtract a "Discount" from or add a "Premium" to the applicable Index value. Ask us for the current Index value, Discount/Premium and annual percentage rate. After you open an account, rate information will be provided on periodic statements that we send to you.

**22. Rate Changes:**

The annual percentage rate can change monthly. Over the life of the account, the \*ANNUAL PERCENTAGE RATE\* cannot increase above 15% ("lifetime cap") nor decrease below 5.50% ("lifetime floor"). Apart from the lifetime cap and lifetime floor, there are no other limits on the amount by which the rate can change during any one-year period.

**23. Minimum Payment Example:**

If you made only the minimum payments and took no other advances, it would take 25 years (estimate) to pay off an advance of \$10,000. By way of example, if we assume an **\*\*ANNUAL PERCENTAGE RATE\*\*** of 8.00% with respect to the Borrowing Period you would be required to make 120 minimum monthly payments of \$67.95 (estimated). Assuming the same Annual Percentage Rate, with respect to the Repayment Period you would be required to make 180 monthly payments varying from \$102.27 to \$55.56 (estimated).

**24. Maximum Rate and Payment Examples:** If you had an outstanding balance of \$10,000, the minimum monthly payment at the maximum **\*\*ANNUAL PERCENTAGE RATE\*\*** of 15% would be \$127.40. If you had an outstanding balance of \$10,000 at the beginning of the Repayment Period, the minimum monthly payment at the maximum **\*\*ANNUAL PERCENTAGE RATE\*\*** of 15% would be \$182.96. The maximum annual percentage rate could be reached as early as the start of the first complete monthly billing cycle.

**25. Historical Example:** The following table shows how the ANNUAL PERCENTAGE RATE and the minimum monthly payments for a \$10,000 outstanding balance would have changed based on changes in the index over the past 15 years. The index values are from the Wall Street Journal published on the first business day of September of each year.

The table assumes that no additional loan advances were taken, that the balance remained exactly at \$10,000 throughout the Borrower Period, 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 minimum monthly payment does not reflect the membership fee, which is charged once a year during the Borrowing Period. While only one payment amount per year is shown, payment would have varied during each year.

(0 to 80% LTV)

|                  | YEAR | INDEX (%)<br>(a) | PREMIUM (%)<br>(a) | ANNUAL PERCENTAGE RATE (%) | MONTHLY MINIMUM PAYMENT (\$) |
|------------------|------|------------------|--------------------|----------------------------|------------------------------|
| Borrowing Period | 2011 | 3.25             | 0.50               | 5.50 (b)                   | 46.71                        |
|                  | 2012 | 3.25             | 0.50               | 5.50 (b)                   | 46.71                        |
|                  | 2013 | 3.25             | 0.50               | 5.50 (b)                   | 46.71                        |
|                  | 2014 | 3.25             | 0.50               | 5.50 (b)                   | 46.71                        |
|                  | 2015 | 3.25             | 0.50               | 5.50 (b)                   | 46.71                        |
|                  | 2016 | 3.50             | 0.50               | 5.50 (b)                   | 46.71                        |
|                  | 2017 | 4.25             | 0.50               | 5.50 (b)                   | 46.71                        |
|                  | 2018 | 5.00             | 0.50               | 5.50 (b)                   | 46.71                        |
|                  | 2019 | 5.25             | 0.50               | 5.75                       | 48.84                        |
| Repayment Period | 2020 | 3.25             | 0.50               | 5.50 (b)                   | 46.71                        |
|                  | 2021 | 3.25             | 0.50               | 5.50 (b)                   | 102.27                       |
|                  | 2022 | 5.50             | 0.50               | 6.00                       | 99.72                        |
|                  | 2023 | 8.50             | 0.50               | 9.00                       | 116.71                       |
|                  | 2024 | 8.50             | 0.50               | 9.00                       | 111.61                       |
|                  | 2025 | 7.50             | 0.50               | 8.00                       | 100.85                       |

(c) This is an "Index" we have used recently and a "Premium" we have used recently.

(d) This rate reflects the 5.50% floor.

## **26. Definitions:**

"We", "us", and "our" refer to The Ion Bank, 251 Church Street, Naugatuck, CT 06770. "You" and "your" refer to each person who signs the "agreement". "Account" means your Home Equity Line of Credit account. The "agreement" is the document that creates the account. The "mortgage deed" is the document, signed by those who own the home, which gives us the mortgage on your home. "Your home" refers to the dwelling securing the account without regard to who owns it or whether or not it is your principal dwelling.

### **SECTION III: Notice To Home Equity Line Of Credit Applications About Our Appraisal Of Your Property, Your Right To a Lawyer, Our Policy On Interim Financing And the Absence Of a Rate Lock-In agreement**

The words "you" and "your" refer to each and all persons who are applying for one of our Home Equity Lines of Credit. The words "we", "us", and "our" refer to Ion Bank, 251 Church Street, Naugatuck, Connecticut 06770.

**I. Appraisal Report:** You have applied for a loan which generally requires that we take a mortgage on a residence. You have the right to a copy of the document(s), if any, relied upon by us in evaluating the value of that residence (the Appraisal Report). Under applicable law, you have a right to a copy of the Appraisal Report, if any, if you write to us at the mailing address set forth above; we must hear from you no later than 90 days after we notify you about the action taken on your credit application or you withdraw your application. In your letter, give us the following information: \*your name, \*your address, the address of the property on which we have obtained the Appraisal Report, \*the approximate date of your application, and \*the type of loan for which you applied.

PLEASE DO NOT RELY ON THIS APPRAISAL REPORT FOR ANY PURPOSE OF YOUR OWN WHATSOEVER. It was prepared for our internal purposes only and was not intended for you or anyone other than us to rely on.

**II. Legal Representation:** The law requires us to give you the following information: You may have legal interests that differ from ours. We may not require you to be represented by the lawyer, if any, who represents us. You have a right to hire your own lawyer to represent you in this transaction. You may waive the right to be represented by a lawyer in this transaction. You may direct any complaints concerning violations of your rights listed in this Part II to the Connecticut Department of Banking.

**III. Our Policy On Interim Financing:** We are required by law to tell you that we have a policy of only offering what is known as "interim financing" on a case by case basis at our discretion. "Interim financing" means short term loans, the proceeds of which are used to purchase a 1-4 family residence and which is due and payable when you sell your current residence.

Our Home Equity Line of Credit product is not intended for use as interim financing. We generally offer interim financing on a case-by-case basis, and usually only in connection with a separate purchase-money loan transaction undertaken with us. If you need interim financing, please let us know, and we will provide you with more information on what types of interim financing products may be available from us, if any.

**IV. Absence Of A "Rate Lock-In" Agreement:** A "Mortgage Rate Lock-In" is an agreement where we agree to give you a particular rate, number of points or specified variable rate terms, provided that you close the loan within a specified period. None of the terms are locked-in (or guaranteed) on a Home Equity Line of Credit product until closing. By accepting this disclosure you understand and agree that we are not offering a Mortgage Rate Lock-In Agreement on the product for which you have applied.

# ION BANK

## IMPORTANT TERMS

### OF OUR 5 Year Draw / 20 Year Repayment HOME EQUITY LINE OF CREDIT

This disclosure contains important information about our Home Equity Line of Credit. (For definitions of some of the terms used see paragraph 13 below). You should read it carefully and keep copy for your records.

**1. Availability of Terms:** All of the terms described below are subject to change by us.

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.

**2. Security Interest:** We will take a mortgage on your home. You could lose your home if you do not meet the obligations in your agreement with us.

**3. Possible Actions:**

a. We can terminate your account, and require you to pay us the entire outstanding balance in one payment (“accelerate”) if any one of the following “events of default” occurs:

- You engage in fraud or material misrepresentation in connection with the line.
- You do not meet the repayment terms.
- Your action or inaction adversely affects the collateral or our rights in the collateral.

b. We can also refuse to make additional extensions of credit or reduce your credit limit, if:

- The value of the dwelling securing the line declines significantly below its appraised value for purposes of the 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 of a material obligation in the agreement or an “event of default” is occurring.
- Government action prevents us from imposing the annual percentage rate provided for in the agreement, or impairs our security interest such that the value of the interest is less than 120 percent of the credit line.
- Our regulatory agency has notified us that continued advances would constitute an unsafe and unsound practice.
- The maximum annual percentage rate is reached.

c. The initial Agreement permits us to make changes to the terms of the Agreement at specified times or upon the occurrence specified events.

**4. Minimum Payment Requirements:** After you open an account, you can obtain loan advances for the first five (5) years. This period is called the “Borrowing Period”. During the Borrowing Period, payments will be due monthly and will equal the interest that has accrued on outstanding balances plus any fees that you owe us. Payment of this minimum payment alone will not repay any of the principal balance that you may have borrowed through loan advances.

After the expiration of the Borrowing Period, your Account will enter a “Repayment Period”. The Repayment Period will last approximately twenty (20). During the Repayment Period, payments will be due monthly and your minimum payment will be equal to a “Principal Component” plus the interest and fees for

the monthly billing cycle. The Principal Component will be equal to the greater of (i) 1/240<sup>th</sup> of principal balance that is outstanding as of the end of the Borrowing Period, or (ii) \$50. If the result of this calculation produces a minimum payment that is greater than your total outstanding account balance, your minimum payment will be equal to your total outstanding account balance. Note that by only paying the minimum payment, you may not completely pay off all principal by the final maturity date.

**5. Fees to Open and Maintain an Account:**

- (a) Lawyer's Fees. If your credit limit is above \$250,000, we may, at our option, have a lawyer represent us in the transaction (including title work) and will you have to pay the attorney's fees before we will open the account. We estimate that these fees will range from \$400 to \$800. If your credit limit is \$250,000 or less, you will not have to pay any fees to third parties (other than hazard and flood insurance, if applicable). In some cases, we may require these loans to be closed by an attorney and you will have to pay all the third party fees including attorney fees.
- (b) Annual Membership Fee and Hazard Insurance. In order to maintain an account, you must pay of an Annual Membership Fee of \$50.00 due each year during the Borrowing Period. We also require that you maintain adequate fire and other hazard insurance (including where applicable, flood insurance) with respect to your home.
- (c) Appraisal Fee. In some cases you may have to pay an appraisal fee. We estimate that this fee will range from \$140 to \$400.

**6. Minimum Draw Requirement:** The minimum credit advance that you can receive is \$500.

**7. Tax Deductibility:** You should consult a tax advisor regarding the deductibility of interest and charges that are imposed in connection with the account.

**8. Variable Rate Feature:** The account has a variable-rate feature. The annual percentage rate (corresponding to the daily periodic rate) can change on a monthly basis and the minimum monthly payment can change as a result. The annual percentage rates disclosed in this statement include only interest and no other costs.

The annual percentage rate is based on the value of an Index. The "Index" is the rate published in the *Wall Street Journal*, Eastern Edition, under the heading "Money Rates" and shown as "prime rate" or "base rate on corporate loans posted by at least 75% of the nation's 30 largest banks" or similar language used by the *Journal* for that index. If more than one rate is shown, we use the highest. To determine the annual percentage rate each monthly billing cycle, we subtract a "Discount" from or add a "Premium" to the applicable Index value. Ask us for the current Index value, Discount/Premium and annual percentage rate. After you open an account, rate information will be provided on periodic statements that we send to you.

**9. Rate Changes:**

The annual percentage rate can change monthly. Over the life of the account, the \*ANNUAL PERCENTAGE RATE\* cannot increase above 15% ("lifetime cap") nor decrease below 5.50% ("lifetime floor"). Apart from the lifetime cap and lifetime floor, there are no other limits on the amount by which the rate can change during any one-year period.

**10. Minimum Payment Example:**

If you made only the minimum payments and took no other advances, it would take 25 years (estimate) to pay off an advance of \$10,000. By way of example, if we assume an **\*\*ANNUAL PERCENTAGE RATE\*\*** of 7.75% with respect to the Borrowing Period you would be required to make 60 minimum monthly payments of \$65.82 (estimated). Assuming the same Annual Percentage Rate, with respect to the Repayment Period you would be required to make 240 monthly payments varying from \$88.38 to \$41.67 (estimated).

**11. Maximum Rate and Payment Examples:** If you had an outstanding balance of \$10,000, the minimum monthly payment at the maximum **\*\*ANNUAL PERCENTAGE RATE\*\*** of 15% would be \$127.40. If you had an outstanding balance of \$10,000 at the beginning of the Repayment Period, the minimum monthly payment at the maximum **\*\*ANNUAL PERCENTAGE RATE\*\*** of 15% would be \$169.07. The maximum annual percentage rate could be reached as early as the start of the first complete monthly billing cycle.

**12. Historical Example:** The following table shows how the ANNUAL PERCENTAGE RATE and the minimum monthly payments for a \$10,000 outstanding balance would have changed based on changes in the index over the past 15 years. The index values are from the Wall Street Journal published on the first business day of September of each year.

The table assumes that no additional loan advances were taken, that the balance remained exactly at \$10,000 throughout the Borrower Period, 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 minimum monthly payment does not reflect the membership fee, which is charged once a year during the Borrowing Period. While only one payment amount per year is shown, payment would have varied during each year.

|                  | YEAR | INDEX (%) (a) | PREMIUM (%) (a) | ANNUAL PERCENTAGE RATE (%) | MONTHLY MINIMUM PAYMENT (\$) |
|------------------|------|---------------|-----------------|----------------------------|------------------------------|
| Borrowing Period | 2011 | 3.25          | 0.25            | 5.50 (b)                   | 46.71                        |
|                  | 2012 | 3.25          | 0.25            | 5.50 (b)                   | 46.71                        |
|                  | 2013 | 3.25          | 0.25            | 5.50 (b)                   | 46.71                        |
|                  | 2014 | 3.25          | 0.25            | 5.50 (b)                   | 46.71                        |
|                  | 2015 | 3.25          | 0.25            | 5.50 (b)                   | 46.71                        |
| Repayment Period | 2016 | 3.50          | 0.25            | 5.50 (b)                   | 88.38                        |
|                  | 2017 | 4.25          | 0.25            | 5.50 (b)                   | 88.38                        |
|                  | 2018 | 5.00          | 0.25            | 5.50 (b)                   | 88.38                        |
|                  | 2019 | 5.25          | 0.25            | 5.50                       | 88.38                        |
|                  | 2020 | 3.25          | 0.25            | 5.50 (b)                   | 88.38                        |
|                  | 2021 | 3.25          | 0.25            | 5.50 (b)                   | 86.05                        |
|                  | 2022 | 5.50          | 0.25            | 5.75                       | 85.62                        |
|                  | 2023 | 8.50          | 0.25            | 8.75                       | 104.84                       |
|                  | 2024 | 8.50          | 0.25            | 8.75                       | 101.12                       |
|                  | 2025 | 7.50          | 0.25            | 7.75                       | 91.04                        |

(a) This is an "Index" we have used recently and a "Premium" we have used recently.

(b) This rate reflects the 5.50% floor.

### 13. **Definitions:**

"We", "us", and "our" refer to The Ion Bank, 251 Church Street, Naugatuck, CT 06770. "You" and "your" refer to each person who signs the "agreement". "Account" means your Home Equity Line of Credit account. The "agreement" is the document that creates the account. The "mortgage deed" is the document, signed by those who own the home, which gives us the mortgage on your home. "Your home" refers to the dwelling securing the account without regard to who owns it or whether or not it is your principal dwelling.

## Section II

### Notice to Home Equity Line of Credit Applications About Our Appraisal Of Your Property, Your Right To a Lawyer, Our Policy On Interim Financing and the Absence Of a Rate Lock-In Agreement

The words, "you" and "your" refer to each and all persons who are applying for one of our Home Equity Lines of Credit. The words "we", "us", and "our" refer to Ion Bank, 251 Church Street, Naugatuck, CT 06770.

- I. **Appraisal Report:** You have applied for a loan which generally requires that we take a mortgage on a residence. You have the right to a copy of the document(s), if any, relied upon by us in evaluating the value of that residence (the "Appraisal Report"). Under applicable law, you have a right to a copy of the Appraisal Report, if any, if you write to us at the mailing address set forth above. We must hear from you no later than 90 days after we notify you about the action taken on your credit application or you withdraw your application. In your letter, give us the following information: \*your name, \*your address, the address of the property on which we have obtained the Appraisal Report, \*the approximate date of your application, and \*the type of loan for which you applied.

PLEASE DO NOT RELY ON THIS APPRAISAL REPORT FOR ANY PURPOSE OF YOUR OWN WHATSOEVER. It was prepared for our internal purposes only and was not intended for you or anyone other than us to rely on.

- II. **Legal Representation.** The law requires us to give you the following information. You may have legal interests that differ from ours. We may not require you to be represented by the lawyer, if any, who represents us. You have a right to hire your own lawyer to represent you in this transaction. You may waive the right to be represented by a lawyer in this transaction. You may direct any complaints concerning violations of your rights listed in the Part II to the Connecticut Department of Banking.
- III. **Our Policy On Interim Financing.** We are required by law to tell you that we have a policy of only offering what is known as "interim financing" on a case-by-case basis at our discretion. "Interim Financing" means short term loans, the proceeds of which are used to purchase 1-4 family residence and which is due and payable when you sell your current residence.

Our Home Equity Line of Credit product is not intended for use as interim financing. We generally offer interim financing on a case-by-case basis, and usually only in connection with a separate purchase-money loan transaction undertaken with us. If you need interim financing, please let us know, and we will provide you with more information on what types of interim financing products may be available from us, if any.

- IV. **Absence Of A "Rate Lock-In" Agreement.** A "Mortgage Rate Lock-In" is an agreement where we agree to give you a particular rate, number of points or specified variable rate terms, provided that you close the loan within a specified period. None of the terms are locked-in (or guaranteed) on a Home Equity Line of Credit product until closing. By accepting this disclosure you understand and agree that we are not offering a Mortgage Rate Lock-In Agreement on the product for which you have applied.

# ION BANK

## IMPORTANT TERMS

### OF OUR 10 Year Draw/15 Year Repayment HOME EQUITY LINE OF CREDIT

This disclosure contains important information about our Home Equity Line of Credit. (For definitions of some of the terms used see paragraph 13 below). You should read it carefully and keep copy for your records.

**1. Availability of Terms:** All of the terms described below are subject to change by us.

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.

**2. Security Interest:** We will take a mortgage on your home. You could lose your home if you do not meet the obligations in your agreement with us.

**3. Possible Actions:**

a. We can terminate your account, and require you to pay us the entire outstanding balance in one payment (“accelerate”) if any one of the following “events of default” occurs:

- You engage in fraud or material misrepresentation in connection with the line.
- You do not meet the repayment terms.
- Your action or inaction adversely affects the collateral or our rights in the collateral.

b. We can also refuse to make additional extensions of credit or reduce your credit limit, if:

- The value of the dwelling securing the line declines significantly below its appraised value for purposes of the 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 of a material obligation in the agreement or an “event of default” is occurring.
- Government action prevents us from imposing the annual percentage rate provided for in the agreement, or impairs our security interest such that the value of the interest is less than 120 percent of the credit line.
- Our regulatory agency has notified us that continued advances would constitute an unsafe and unsound practice.
- The maximum annual percentage rate is reached.

c. The initial Agreement permits us to make changes to the terms of the Agreement at specified times or upon the occurrence specified events.

**4. Minimum Payment Requirements:** After you open an account, you can obtain loan advances for the first ten (10) years. This period is called the “Borrowing Period”. During the Borrowing Period, payments will be due monthly and will equal the interest that has accrued on outstanding balances plus any fees that you owe us. Payment of this minimum payment alone will not repay any of the principal balance that you may have borrowed through loan advances.

5. After the expiration of the Borrowing Period, your Account will enter a "Repayment Period". The Repayment Period will last approximately fifteen (15) years. During the Repayment Period, payments will be due monthly and your minimum payment will be equal to a "Principal Component" plus the interest and fees for the monthly billing cycle. The Principal Component will be equal to the greater of (i) 1/180<sup>th</sup> of principal balance that is outstanding as of the end of the Borrowing Period, or (ii) \$50. If the result of this calculation produces a minimum payment that is greater than your total outstanding account balance, your minimum payment will be equal to your total outstanding account balance. Note that by only paying the minimum payment, you may not completely pay off all principal by the final maturity date.
6. **Fees to Open and Maintain an Account:**
  - (a) Lawyer's Fees. If your credit limit is above \$250,000, we may, at our option, have a lawyer represent us in the transaction (including title work) and will you have to pay the attorney's fees before we will open the account. We estimate that these fees will range from \$400 to \$800. If your credit limit is \$250,000 or less, you will not have to pay any fees to third parties (other than hazard and flood insurance, if applicable). In some cases, we may require these loans to be closed by an attorney and you will have to pay all the third party fees including attorney fees.
  - (b) Annual Membership Fee and Hazard Insurance. In order to maintain an account, you must pay of an Annual Membership Fee of \$50.00 due each year during the Borrowing Period. We also require that you maintain adequate fire and other hazard insurance (including where applicable, flood insurance) with respect to your home.
  - (c) Appraisal Fee. In some cases you may have to pay an appraisal fee. We estimate that this fee will range from \$140 to \$400.
7. **Minimum Draw Requirement:** The minimum credit advance that you can receive is \$500.
8. **Tax Deductibility:** You should consult a tax advisor regarding the deductibility of interest and charges that are imposes in connection with the account.
9. **Variable Rate Feature:** The account has a variable-rate feature. The annual percentage rate (corresponding to the daily periodic rate) can change on a monthly basis and the minimum monthly payment can change as a result. The annual percentage rates disclosed in this statement include only interest and no other costs.

The annual percentage rate is based on the value of an Index. The "Index" is the rate published in the *Wall Street Journal*, Eastern Edition, under the heading "Money Rates" and shown as "prime rate" or "base rate on corporate loans posted by at least 75% of the nation's 30 largest banks" or similar language used by the *Journal* for that index. If more than one rate is shown, we use the highest. To determine the annual percentage rate each monthly billing cycle, we subtract a "Discount" from or add a "Premium" to the applicable Index value. Ask us for the current Index value, Discount/Premium and annual percentage rate. After you open an account, rate information will be provided on periodic statements that we send to you.

**10. Rate Changes:**

The annual percentage rate can change monthly. Over the life of the account, the \*ANNUAL PERCENTAGE RATE\* cannot increase above 15% ("lifetime cap") nor decrease below 5.50% ("lifetime floor"). Apart from the lifetime cap and lifetime floor, there are no other limits on the amount by which the rate can change during any one-year period.

**11. Minimum Payment Example:**

If you made only the minimum payments and took no other advances, it would take 25 years (estimate) to pay off an advance of \$10,000. By way of example, if we assume an **\*\*ANNUAL PERCENTAGE RATE\*\*** of 8.00% with respect to the Borrowing Period you would be required to make 120 minimum monthly payments of \$67.95 (estimated). Assuming the same Annual Percentage Rate, with respect to the Repayment Period you would be required to make 180 monthly payments varying from \$102.27 to \$55.56 (estimated).

- 12. Maximum Rate and Payment Examples:** If you had an outstanding balance of \$10,000, the minimum monthly payment at the maximum **\*\*ANNUAL PERCENTAGE RATE\*\*** of 15% would be \$127.40. If you had an outstanding balance of \$10,000 at the beginning of the Repayment Period, the minimum monthly payment at the maximum **\*\*ANNUAL PERCENTAGE RATE\*\*** of 15% would be \$182.96. The maximum annual percentage rate could be reached as early as the start of the first complete monthly billing cycle.

**13. Historical Example:** The following table shows how the ANNUAL PERCENTAGE RATE and the minimum monthly payments for a \$10,000 outstanding balance would have changed based on changes in the index over the past 15 years. The index values are from the Wall Street Journal published on the first business day of September of each year.

The table assumes that no additional loan advances were taken, that the balance remained exactly at \$10,000 throughout the Borrower Period, 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 minimum monthly payment does not reflect the membership fee, which is charged once a year during the Borrowing Period. While only one payment amount per year is shown, payment would have varied during each year.

**(0 to 80% LTV)**

|                  | YEAR | INDEX (%) (a) | PREMIUM (%) (a) | ANNUAL PERCENTAGE RATE (%) | MONTHLY MINIMUM PAYMENT (\$) |
|------------------|------|---------------|-----------------|----------------------------|------------------------------|
| Borrowing Period | 2011 | 3.25          | 0.50            | 5.50 (b)                   | 46.71                        |
|                  | 2012 | 3.25          | 0.50            | 5.50 (b)                   | 46.71                        |
|                  | 2013 | 3.25          | 0.50            | 5.50 (b)                   | 46.71                        |
|                  | 2014 | 3.25          | 0.50            | 5.50 (b)                   | 46.71                        |
|                  | 2015 | 3.25          | 0.50            | 5.50 (b)                   | 46.71                        |
|                  | 2016 | 3.50          | 0.50            | 5.50 (b)                   | 46.71                        |
|                  | 2017 | 4.25          | 0.50            | 5.50 (b)                   | 46.71                        |
|                  | 2018 | 5.00          | 0.50            | 5.50 (b)                   | 46.71                        |
|                  | 2019 | 5.25          | 0.50            | 5.75                       | 48.84                        |
|                  | 2020 | 3.25          | 0.50            | 5.50 (b)                   | 46.71                        |
| Repayment Period | 2021 | 3.25          | 0.50            | 5.50 (b)                   | 102.27                       |
|                  | 2022 | 5.50          | 0.50            | 6.00                       | 99.72                        |
|                  | 2023 | 8.50          | 0.50            | 9.00                       | 116.71                       |
|                  | 2024 | 8.50          | 0.50            | 9.00                       | 111.61                       |
|                  | 2025 | 7.50          | 0.50            | 8.00                       | 100.85                       |

(a) This is an "Index" we have used recently and a "Premium" we have used recently.

(b) This rate reflects the 5.50% floor.

**14. Definitions:**

"We", "us", and "our" refer to The Ion Bank, 251 Church Street, Naugatuck, CT 06770. "You" and "your" refer to each person who signs the "agreement". "Account" means your Home Equity Line of Credit account. The "agreement" is the document that creates the account. The "mortgage deed" is the document, signed by those who own the home, which gives us the mortgage or your home. "Your home" refers to the dwelling securing the account without regard to who owns it or whether or not it is your principal dwelling.

## Section II

### Notice to Home Equity Line of Credit Applications About Our Appraisal Of Your Property, Your Right To a Lawyer, Our Policy On Interim Financing and the Absence Of a Rate Lock-In Agreement

The words, “you” and “your” refer to each and all persons who are applying for one of our Home Equity Lines of Credit. The words “we”, “us”, and “our” refer to Ion Bank, 251 Church Street, Naugatuck, CT 06770.

- I. **Appraisal Report:** You have applied for a loan which generally requires that we take a mortgage on a residence. You have the right to a copy of the document(s), if any, relied upon by us in evaluating the value of that residence (the “Appraisal Report”). Under applicable law, you have a right to a copy of the Appraisal Report, if any, if you write to us at the mailing address set forth above. We must hear from you no later than 90 days after we notify you about the action taken on your credit application or you withdraw your application. In your letter, give us the following information: \*your name, \*your address, the address of the property on which we have obtained the Appraisal Report, \*the approximate date of your application, and \*the type of loan for which you applied.

PLEASE DO NOT RELY ON THIS APPRAISAL REPORT FOR ANY PURPOSE OF YOUR OWN WHATSOEVER. It was prepared for our internal purposes only and was not intended for you or anyone other than us to rely on.

- II. **Legal Representation.** The law requires us to give you the following information. You may have legal interests that differ from ours. We may not require you to be represented by the lawyer, if any, who represents us. You have a right to hire your own lawyer to represent you in this transaction. You may waive the right to be represented by a lawyer in this transaction. You may direct any complaints concerning violations of your rights listed in the Part II to the Connecticut Department of Banking.
- III. **Our Policy On Interim Financing.** We are required by law to tell you that we have a policy of only offering what is known as “interim financing” on a case-by-case basis at our discretion. “Interim Financing” means short term loans, the proceeds of which are used to purchase 1-4 family residence and which is due and payable when you sell your current residence.

Our Home Equity Line of Credit product is not intended for use as interim financing. We generally offer interim financing on a case-by-case basis, and usually only in connection with a separate purchase-money loan transaction undertaken with us. If you need interim financing, please let us know, and we will provide you with more information on what types of interim financing products may be available from us, if any.

- IV. **Absence Of A “Rate Lock-In” Agreement.** A “Mortgage Rate Lock-In” is an agreement where we agree to give you a particular rate, number of points or specified variable rate terms, provided that you close the loan within a specified period. None of the terms are locked-in (or guaranteed) on a Home Equity Line of Credit product until closing. By accepting this disclosure you understand and agree that we are not offering a Mortgage Rate Lock-In Agreement on the product for which you have applied.