



## 2<sup>nd</sup> Mortgage & Home Equity Line Of Credit Application

Thank you for inquiring into a 2<sup>nd</sup> Mortgage or Home Equity Line Of Credit from your Credit Union. To fulfill your individual needs, we offer two types of loans that are secured by a lien on your primary residence. You can determine which loan fits your needs by asking yourself this question. “Do I need the funds in one lump sum or through a line of credit?” Most members select our 2<sup>nd</sup> Mortgage to consolidate bills or make a major purchase. Our Home Equity LOC enables you to access your credit line, as you need it. The following chart will help you in selecting which loan meets your financial needs. Our Loan Service Reps are also available at 732-727-3500 ext 220. Please remember to complete all sections of this application and return with all your supporting documents.

### 5 YEAR SECOND MORTGAGE / HELOC

	<b>2<sup>nd</sup> Mortgage</b>	<b>Home Equity Loan</b>
Type of Loan	Closed-End Loan	Open-End Line of Credit
	Secured by a lien on your one to four family primary residence located in NJ.	
Equity Available	Qualified borrowers may borrow up to 80% of the appraised value of your home, minus your first mortgage, to the maximum limits established.	
Loan Terms	5, 10, 15, 20 Years – up to \$250,000.00  5, 10, 15, 20 Year Term - Fixed Rate	5, 10 or 15 years - up to \$250,000.00  5 Year Term - Fixed Rate 10 or 15 Year Term – Variable Rate
Interest Rates	Please ask for current rate chart. Rates published are base rates based on the Prime Rate. Your rate will be based on the number of years your loan is financed and your individual creditworthiness.	
Fees	<b>NONE!</b> The Credit Union does <b>NOT</b> assess any fees or charges to you to establish.	
Application Time	Your loan closing can take place approximately 1-2 weeks from the date your application is received.	
Funds Available	Available after the Right of Rescission Period, (3 business days).	
Funds Access	The Credit Union will first payoff any predetermined debts. The remainder will be disbursed as mutually agreed.	The Credit Union will first payoff any predetermined debts. Then you can access your credit line with your HELOC checks.
Payments	Fixed Monthly Payment	Variable Monthly Payment based on balance, rate & remaining term.

(rev 09/2011)

491 Raritan Street, Sayreville, NJ 08872  
tel 732.727.3500 fax 732.727.2527



**SECURE and FAIR ENFORCEMENT FOR MORTGAGE LICENSING ACT of 2008**

It is the policy of Raritan Bay Federal Credit Union to comply with the requirements of the Secure and Fair Enforcement for Mortgage Licensing Act (S.A.F.E. Act) and the statute's implementing regulations.

The SAFE Act is designed to enhance consumer protection and reduce fraud through the setting of minimum standards for the licensing and registration of Mortgage Loan Originators who work for an insured depository.

The SAFE Act requires residential "Mortgage Loan Originators" ("MLO's"), who are employees of the Credit Union to be registered with the Nationwide Mortgage Licensing System and Registry (NMLS). The NMLS is a fully searchable web based system allowing the public to view certain information concerning registered institutions and individuals.

Beginning August 1, 2011 Federal registrant information will be made publicly available through Consumer Access ([www.nmlsconsumeraccess.org](http://www.nmlsconsumeraccess.org)).

Listed below are the NMLS identification numbers for Raritan Bay FCU and the names and identification numbers of our 3 Mortgage Loan Originators:

Raritan Bay Federal Credit Union # 646451

Edward Haubert # 773512  
Frances Scerbo # 773499  
Abby McGuire # 773519

## Real Estate Information Sheet

In order to properly process your 2<sup>nd</sup> Mortgage/Home Equity Line of Credit loan application please provide us with the following information about you and your home:

Names of all parties on deed: \_\_\_\_\_

Name & Address of holder of first mortgage: \_\_\_\_\_

Approx. Mortgage Balance \$ \_\_\_\_\_ Mortgage Account # \_\_\_\_\_

Your estimate of the Market Value of your home \$ \_\_\_\_\_ Single or Multi Family \_\_\_\_\_

Is this a Townhouse or Condominium? \_\_\_\_\_

Marital History: Date Married \_\_\_\_\_ Maiden name: \_\_\_\_\_

Are all property owners living? \_\_\_\_\_ If no, please provide copy of death certificate.

**Please supply to us as soon as possible,**

\_\_ Copy of your **DEED**.

\_\_ Copy of your **MORTGAGE STATEMENT**

\_\_ Copy of your current **PROPERTY TAX BILL**

\_\_ Copy of your most recent **FEDERAL INCOME TAX RETURN**

\_\_ Most recent **PAY STUB** for each borrower

\_\_ Copy of the declarations page of your **HOMEOWNERS INSURANCE POLICY**.

\_\_ The completed **2ND MORTGAGE/ HOME EQUITY LOAN APPLICATION**.

\_\_ **SIGNED** copies of each attached **DISCLOSURE FORM**.

\_\_ The signed **CONSENT FORM** (enclosed) for all borrowers.

\_\_ **THIS FORM**.

**If unable to supply any of the documentation listed, please contact us for assistance.**

We will process your application as quickly as possible and will notify you as soon as we have reviewed it.

**THANK YOU FOR USING YOUR CREDIT UNION.**

\_\_\_\_\_  
DATE RECEIVED    STAFF INITIALS



## **DISCLOSURE STATEMENT**

LENDER: Raritan Bay Federal Credit Union, 491 Raritan Street, Sayreville, New Jersey 08872

### **NOTICE TO MORTGAGE LOAN APPLICANTS: THE RIGHT TO COLLECT YOUR MORTGAGE LOAN PAYMENTS MAY BE TRANSFERRED. FEDERAL LAW GIVES YOU CERTAIN RIGHTS. READ THIS STATEMENT AND SIGN IT ONLY IF YOU UNDERSTAND ITS CONTENTS.**

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

#### **TRANSFER PRACTICES AND REQUIREMENTS**

If the servicing of your loan is assigned, sold, or transferred to a new servicer, you must be given written notice of that transfer. The present loan servicer must send you notice in writing of the assignment, sale or transfer of the servicing not less than 15 days before the date of the transfer. The new loan servicer must also send you notice within 15 days after the date of the transfer. Also, a notice of prospective transfer may be provided to you at settlement (when title to your new property is transferred to you) to satisfy these requirements. The law allows a delay in the time (not more than 30 days after a transfer) for servicers to notify you under certain limited circumstances, when your servicer is changed abruptly. This exception applies only if your servicer is fired for cause, is in bankruptcy proceedings, or is involved in a conservatorship or receivership initiated by a Federal agency.

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

#### **COMPLAINT RESOLUTION**

Section 6 of RESPA (12 U.S.C. Section 2605) gives you certain consumer rights, whether or not your loan servicing is transferred. If you send a "qualified written request" to your loan servicer concerning the servicing of your loan, your servicer must provide you with a written acknowledgment within 20 business days of receipt of your request. A "qualified written request" is a written correspondence, other than notice on a payment coupon or other payment medium supplied by the servicer, which includes your name and account number, and your reasons for the request. Not later than 60 business days after receiving your request, your servicer must make any appropriate corrections to your account, and must provide you with a written clarification regarding any dispute. During this 60-day period, your servicer may not provide information to a consumer reporting agency concerning any overdue payment related to such period or qualified written request.



**SETTLEMENT STATEMENT**

Optional Form for  
Transactions without Sellers

US Department of Housing  
and Urban Development

form HUD1-A

BORROWERS: \_\_\_\_\_ Lender: **Raritan Bay FCU**

\_\_\_\_\_ **491 Raritan St.,**

ADDRESS: \_\_\_\_\_ **Sayreville, NJ 08872**

CITY/STATE/ZIP: \_\_\_\_\_

Property Location: Same as Above

Amount applied for: \_\_\_\_\_

**Settlement Charges**

**800 Items payable in Connections with Loan**

801	Loan Origination Fee	NONE
802	Loan Discount	NONE
803	Appraisal Fee	<b>\$75.00 POC*</b>
804	Credit Report Fee	<b>\$4.14 POC*</b>
805	Inspection Fee	NONE
806	Mortgage Insurance Application Fee	NONE
807	Mortgage Broker Fee	NONE

808  
809  
810  
811

**900 Items Required by Lender to be Paid In Advance**

901	Interest from _____ to _____ @ \$ _____ per day	NONE
902	Mortgage Insurance premium for _____ months to _____	NONE
903	Hazard Insurance premium for 1 year	NONE

904

1000	<b><u>Reserves Deposited with Lender</u></b>	NONE
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1100	<b><u>Title Charges</u></b>	<b>\$77.00 POC*</b>
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1200	<b><u>Government Recording and Transfer Charges</u></b>	<b>\$53.00 POC*</b>
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1300	<b><u>Additional Settlement Charges</u></b>	NONE
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1400	<b><u>Total Settlement Charges</u></b>	<b>\$209.14 POC*</b>
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Borrowers Signatures: \_\_\_\_\_ Date: \_\_\_\_\_

**\*POC: Paid Outside Closing-by Raritan Bay FCU**

**IMPORTANT TERMS OF OUR**  
**Five Year Term**  
**HOME EQUITY LINE OF CREDIT**

RARITAN BAY FEDERAL CREDIT UNION  
491 Raritan Street, Sayreville, New Jersey 08872  
(732) 727-3500

This disclosure contains important information about our Home Equity Line of Credit. You should read it carefully and keep a copy for your records.

**Availability of Terms:** To obtain these terms described below, you must complete the loan closing process within 30 days of application. If these terms are changed (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 that you have paid to us or anyone else in connection with your application.

**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.

**Possible Actions:** Under certain circumstances, we can (1) terminate your line, require you to pay us the entire outstanding balance in one payment, and charge you certain fees; (2) refuse to make additional extensions of credit; and (3) reduce your credit limit. If you ask, we will give you more specific information concerning when we can take these actions.

**Minimum Payment Requirements:** You can obtain advances of credit for 5 years (the “draw period”). During the draw period, payments will be due monthly. The minimum monthly payment will be calculated to pay off the loan balance in approximately equal monthly payments by the maturity date. The minimum monthly payment will be based upon the balance of the loan as of the most recent advance and the current ANNUAL PERCENTAGE RATE. For example, if you obtain a loan on the date of the Home Equity Loan Agreement, your monthly payment will be based upon a repayment term of 60 months. If you obtain an advance at the end of the draw period, your monthly payment will be based on a repayment schedule of 1 month. The payment will not change as the balance declines unless you receive an additional advance, or if the Credit Union determines that your monthly loan payment is not adequate to repay the outstanding loan balance, plus FINANCE CHARGES and other costs and expenses pursuant to the Home Equity Loan Agreement and the Mortgage which secures the Home Equity Loan Agreement, in approximately equal monthly payments prior to the maturity date.

**IMPORTANT TERMS OF OUR**  
**Five Year Term**  
**HOME EQUITY LINE OF CREDIT**  
**Cont.....**

Minimum Payment Example: If you made only the minimum monthly payments and took no other credit advances, it would take 5 years to payoff a credit advance of \$10,000.00 at an ANNUAL PERCENTAGE RATE of 3.99%. During that period, you would make 60 payments of \$184.14.

Fees and Charges: To open and maintain a line of credit, there is no application fee or charges. The Credit Union requires that you must carry insurance on the property that secures this plan and you must name Raritan Bay Federal Credit Union as loss payee.

Minimum Draw and Balance Requirement: The minimum credit advance you can receive is \$500.00, after receiving the initial advance, you may borrow in amounts as small as \$500.00.

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

Maximum Payment Example: If you had an outstanding balance of \$10,000.00 at the end of the draw period, the maximum payment would have to be made in one payment at 3.99% in the amount of \$10,032.79.

(rev. 09/2011)

**HISTORICAL EXAMPLE:** The following table shows how the annual percentage rate and the minimum payments for a single \$10,000.00 credit advance would have changed based on the changes in the index over the past 15 years. The index values are from 1997 thru 2011. (While only one payment amount per year is shown, payments would have varied during the year.)

The table assumes that no additional credit advances were taken, that only the minimum payments were made, and that the rate remained constant during each year. It does not necessarily indicate how the index or your payments will change in the future.

<b>SAMPLE HISTORICAL INDEX</b>						
<b><u>Weekly averages from the first week ending in July</u></b>						
			<b>(120 Term)</b>	<b>(180 Term)</b>		
			<b>ANNUAL</b>	<b>MONTHLY</b>	<b>MONTHLY</b>	
<b>YEAR</b>	<b>INDEX</b>	<b>MARGIN*</b>	<b>PERCENTAGE RATE</b>	<b>PAYMENT</b>	<b>PAYMENT</b>	
1997	8.50	+.74	9.24	127.98	102.90	
1998	8.50	+.74	9.24	127.98	102.90	
1999	8.00	+.74	8.74	125.28	99.92	
2000	9.50	+.74	10.24	133.49	108.98	
2001	6.75	+.74	7.49	118.66	92.68	
2002	4.75	+.74	5.49	108.48	81.68	
2003	4.00	+.74	4.74	104.81	<b>77.75</b>	
2004	4.25	+.74	4.99	106.02	79.05	
2005	6.25	+.74	6.99	116.06	89.86	
2006	8.25	+.74	8.99	126.63	101.41	
2007	8.25	+.74	8.99	126.63	101.41	
2008	5.00	+.74	5.74	109.73	83.01	
2009	3.25	+.74	3.99**	101.20	73.94	
2010	3.25	+.74	3.99**	101.20	73.94	
2011	3.25	+.74	3.99**	101.20	73.94	

**\*\*FLOOR RATE**

Acknowledgement and Signature: By signing below I/We acknowledge receiving a copy of this document and the Home Equity Loan brochure: **“Putting Your Home on the Line Is Risky Business”**.

\_\_\_\_\_  
Borrower

\_\_\_\_\_  
Co-Borrower

# Raritan Bay Federal Credit Union

491 Raritan Street, Sayreville, NJ 08872  
Tel: 732-727-3500 Fax: 732-727-2527

## LOAN APPLICATION

ACCOUNT # \_\_\_\_\_

<b>Please Complete All Boxes</b>		<input type="checkbox"/> <b>Home Equity LOC</b>		<b>For Credit Union Use</b>	
<input type="checkbox"/> Individual		<input type="checkbox"/> <b>2nd Mortgage</b>		Date Reviewed _____	
<input type="checkbox"/> Joint - Other Applicant: (add'l application required)				<input type="checkbox"/> Approved _____	
Amount of Credit Requested \$ _____		Length of Repayment _____ MONTHS		<input type="checkbox"/> Denied _____	
Purpose of Loan (MUST COMPLETE): _____				Loan Officer Signature _____	
PLEASE CHECK COVERAGE REQUESTED: <input type="checkbox"/> Credit Life <input type="checkbox"/> Credit Disability <input type="checkbox"/> None			<b>Incomplete Applications Will Be Returned</b>		Payment Transfer Date: _____
					Circle one:   SAVINGS   CHECKING
Name		Email Address		Social Security Number	
Date of Birth					
Street Address (NOT a P O Box)		Home Phone		Cell Phone #	
				# of Dependents & Ages	
				Years of Schooling Completed:	
City, State, Zip		# Yrs. at Current Address		Drivers License # & State	
Previous Home Address				# Years There	
Employer		Address		Work Phone / Extension	
Position		Date Employed		Supervisor's Name	
Pay Frequency		Gross Income Amount(Specify:Hourly/per pay/Annual Salary)		Are you SALARIED or HOURLY?	
Other Income Notice: Do not list alimony, child support or separate Maintenance payments unless you wish them considered as a basis for repayment of the credit requested. If listed, verification is required.		Other Income Amount		Source	
Previous Employer Name/Address		Position		Years There	
				Reason for Leaving	
AUTOMOBILES OWNED		Year   Make   Model   Balance Owed		Year   Make   Model   Balance Owed	
PRIMARY BANKS YOU USE		Savings   Branch Address   Account #		Checking   Branch Address   Account #	
REFERENCE Nearest Relative Not Living With You:		Name   Address		Phone   Relationship	
REFERENCE Personal Friend:		Name   Address		Phone	
CREDIT INFORMATION (list all debts, attach add'l sheet if necessary)				<b>PLEASE ANSWER THE FOLLOWING QUESTIONS:</b>	
Name		Mntly Pyt.   \$ Owed   \$ Past Due		Are any of your debts past due ? _____	
Rent/Mortgage:				Have you ever had any property, auto/furniture repossessed? _____	
				Have you ever declared Bankruptcy? _____	
				Are you currently a co-maker on any loan? _____	
				Are you a US Citizen or registered alien? _____	
				Have you ever obtained credit under a different name? _____	
				Have you applied for any credit within the last 60 days? _____	
<b>PLEASE ATTACH A CURRENT PAY STUB OR LAST YEAR'S INCOME TAX RETURN</b>					
Everything stated on this application is true and correct to the best of my knowledge. I also understand that the creditor will retain this application whether or not it is approved. I understand the Credit Union will rely on this application in deciding whether to grant the requested credit. I authorize the credit union to check my credit and employment history. If this application is approved, I also authorize the credit union to give information about its credit experience with me to others.					

Applicant Signature \_\_\_\_\_

Date \_\_\_\_\_

# Raritan Bay Federal Credit Union

491 Raritan Street, Sayreville, NJ 08872  
 Tel: 732-727-3500 Fax: 732-727-2527

## LOAN APPLICATION

ACCOUNT # \_\_\_\_\_

<b>Please Complete All Boxes</b>		<input type="checkbox"/> <b>Home Equity LOC</b>		<b>For Credit Union Use</b>	
<input type="checkbox"/> Individual		<input type="checkbox"/> <b>2nd Mortgage</b>		Date Reviewed _____	
<input type="checkbox"/> Joint - Other Applicant: (add'l application required)				<input type="checkbox"/> Approved _____	
Amount of Credit Requested \$ _____		Length of Repayment _____ MONTHS		<input type="checkbox"/> Denied _____	
Purpose of Loan (MUST COMPLETE): _____				Loan Officer Signature _____	
PLEASE CHECK COVERAGE REQUESTED: <input type="checkbox"/> Credit Life <input type="checkbox"/> Credit Disability <input type="checkbox"/> None			<b>Incomplete Applications Will Be Returned</b>		Payment Transfer Date: _____
					Circle one:   SAVINGS   CHECKING
Name		Email Address		Social Security Number	
Date of Birth		Street Address (NOT a P O Box)		Home Phone	
City, State, Zip		# Yrs. at Current Address		Cell Phone #	
Previous Home Address				# of Dependents & Ages	
Employer		Address		Work Phone / Extension	
Position		Date Employed		Supervisor's Name	
Pay Frequency		Gross Income Amount(Specify:Hourly/per pay/Annual Salary)		Are you SALARIED or HOURLY?	
Other Income Notice: Do not list alimony, child support or separate Maintenance payments unless you wish them considered as a basis for repayment of the credit requested. If listed, verification is required.		Other Income Amount		Source	
Previous Employer Name/Address		Position		Years There	
				Reason for Leaving	
AUTOMOBILES OWNED		Year   Make   Model   Balance Owed		Year   Make   Model   Balance Owed	
PRIMARY BANKS YOU USE		Savings   Branch Address   Account #		Checking   Branch Address   Account #	
REFERENCE Nearest Relative Not Living With You:		Name   Address		Phone   Relationship	
REFERENCE Personal Friend:		Name   Address		Phone	
CREDIT INFORMATION (list all debts, attach add'l sheet if necessary)				<b>PLEASE ANSWER THE FOLLOWING QUESTIONS:</b>	
Name		Mntly Pyt.   \$ Owed   \$ Past Due		Are any of your debts past due ? _____	
Rent/Mortgage:				Have you ever had any property, auto/furniture repossessed? _____	
				Have you ever declared Bankruptcy? _____	
				Are you currently a co-maker on any loan? _____	
				Are you a US Citizen or registered alien? _____	
				Have you ever obtained credit under a different name? _____	
				Have you applied for any credit within the last 60 days? _____	
<b>PLEASE ATTACH A CURRENT PAY STUB OR LAST YEAR'S INCOME TAX RETURN</b>					
Everything stated on this application is true and correct to the best of my knowledge. I also understand that the creditor will retain this application whether or not it is approved. I understand the Credit Union will rely on this application in deciding whether to grant the requested credit. I authorize the credit union to check my credit and employment history. If this application is approved, I also authorize the credit union to give information about its credit experience with me to others.					

Applicant Signature \_\_\_\_\_

Date \_\_\_\_\_



**Are you in need of cash?**

**Do you want to consolidate your debts?**

**Are you receiving home equity loan or refinancing offers that seem too good to be true?**

**Does your home need repairs that contractors tell you can be easily financed?**

If you are a homeowner who needs money to pay bills or for home repairs, you may think a home equity loan is the answer. But not all loans and lenders are the same—you should shop around. The cost of doing business with high-cost lenders can be excessive and, sometimes, downright abusive. For example, certain lenders—often called “predatory lenders”—target homeowners who have low incomes or credit problems or who are elderly by deceiving them about loan terms or giving them loans they cannot afford to repay.

**Borrowing from an unscrupulous lender, especially one who offers you a high-cost loan using your home as security, is risky business.** You could lose your home and your money. Before you sign on the line,

- Think about your options
- Do your homework
- Think twice before you sign
- Know that you have rights under the law

This information was prepared by the following federal agencies:

Department of Housing and Urban Development, Department of Justice, Federal Deposit Insurance Corporation, Federal Housing Finance Board, Federal Reserve Board, Federal Trade Commission, National Credit Union Administration, Office of Federal Housing Enterprise Oversight, Office of the Comptroller of the Currency, Office of Thrift Supervision.

## Think about Your Options

If you're having money problems, consider these options before you put your home on the loan line.

- Talk with your creditors or with representatives of non-profit or other reputable credit or budget counseling organizations to work out a plan that reduces your bill payments to a more manageable level.
- Contact your local social service agency, community or religious groups, and local or state housing agencies. They may have programs that help consumers, including the elderly and those with disabilities, with energy bills, home repairs, or other emergency needs.
- Contact a local housing counseling agency to discuss your needs. Call the U.S. Department of Housing and Urban Development at toll-free 800-569-4287 or visit [www.hud.gov/offices/hsg/sfh/hcc/hccprof14.cfm](http://www.hud.gov/offices/hsg/sfh/hcc/hccprof14.cfm) to find a center near you.
- Talk with someone other than the lender or broker offering the loan who is knowledgeable and you trust before making any decisions. Remember, if you decide to get a home equity loan and can't make the payments, the lender could foreclose and you would lose your home.

**If you decide a loan is right for you**, talk with several lenders, including at least one bank, savings and loan, or credit union in your community. Their loans may cost less than loans from finance companies. And don't assume that if you're on a fixed income or have credit problems, you won't qualify for a loan from a bank, savings and loan, or credit union—they may have the loan you want!

## Do Your Homework

Contact several lenders—and be *very* careful about dealing with a lender who just appears at your door, calls you, or sends you mail. Ask friends and family for recommendations of lenders. Talk with banks, savings and loans, credit unions, and other lenders. If you choose to use a mortgage broker, remember they arrange loans but most do not lend directly. Compare their offers with those of other direct lenders.

Be wary of home repair contractors that offer to arrange financing. You should still talk with other lenders to make sure you get the best deal. You may want to have the loan proceeds sent directly to you, not the contractor.

**Comparison shop.** Comparing loan plans can help you get a better deal. Whether you begin your shopping by reading ads in your local newspapers, searching on the Internet, or looking in the phone book, ask lenders to explain the best loan plans they have for you. Beware of loan terms and conditions that may mean higher costs for you. Get answers to these questions:

### Interest Rate and Payments

- What are the monthly payments? Ask yourself if you can afford them.
- What is the annual percentage rate (APR) on the loan? The APR is the cost of credit, expressed as a yearly rate. You can use the APR to compare one loan with another.
- Will the interest rate change during the life of the loan? If so, when, how often, and by how much?

### Term of Loan

- How many years will you have to repay the loan?
- Is this a loan or a line of credit? A loan is for a fixed amount of money for a specific period of time; a line of credit is an amount of money you can draw as you need it.
- Is there a balloon payment—a large single payment at the end of the term after a series of low monthly payments? When the balloon payment is due, you must pay the entire amount.

## Points and Fees

- What will you have to pay in points and fees? One point equals 1 percent of the loan amount (1 point on a \$10,000 loan is \$100). Generally, the higher the points, the lower the interest rate. If points and fees are more than 5 percent of the loan amount, ask why. Traditional financial institutions normally charge between 1 and 3 percent of the loan amount in points and fees.
- Are any of the application fees refundable if you don't get the loan?
- How and how much will the lender or broker be paid? Lenders and brokers may charge points or fees that you must pay at closing or add on to the cost of your loan, or both.

## Penalties

- What is the penalty for late or missed payments?
- What is the penalty if you pay off or refinance the loan early (that is, is there a prepayment penalty)?

## Credit Insurance

- Does the loan package include optional credit insurance, such as credit life, disability, or unemployment insurance? Depending on the type of policy, credit insurance can cover some or all of your payments if you can't make them. Understand that you don't have to buy optional credit insurance—that's why it's called "optional." Don't buy insurance you don't need.
- Credit insurance may be a bad deal for you, especially if the premiums are collected up-front at the closing and financed as part of the loan. If you want optional credit insurance, ask if you can pay for it on a monthly basis after the loan is approved and closed. With monthly insurance premiums, you don't pay interest and you can decide to cancel if the premiums are too high or if you believe you no longer want the insurance.

**After you have answers to these questions**, start negotiating with more than one lender. Don't be afraid to make lenders and brokers compete for your business by letting them know you are shopping for the best deal. Ask each lender to lower the points, fees, or interest rate. And ask each to meet—or beat—the terms of the other lenders.

## Once You've Selected a Lender, Get the Following

- A "Good Faith Estimate" of all loan charges. The estimate must be sent within 3 days of applying.
- Blank copies of the forms you'll sign at closing, when the loan is final. Study them. If you don't understand something, ask for an explanation.
- Advance copies of the forms you'll sign at closing with the terms filled in. A week or two before closing, contact the lender to find out if there have been any changes in the Good Faith Estimate. By law, you can inspect the settlement statement (also called the HUD-1 or HUD-1A form) one day prior to closing. Study these forms. Write down any questions you want to ask.

## Think Twice before You Sign

- Have a knowledgeable friend, relative, attorney, or housing counselor review the Good Faith Estimate and other loan papers before you sign the loan contract. Be sure the terms are the same ones you agreed to. For example, a lender should not promise one APR and then—without good reason— increase it at closing.
- Refer to the list of questions you've written down. Ask where these terms are covered in the loan contract. And ask for an explanation of any dollar amount or term you don't understand. Don't let anyone rush you into signing the loan contract.

- Make sure all promises, oral and otherwise, are put in writing. It's only what's in writing that counts.
- Get a copy of the documents you signed before you leave the closing.

### **Don't Sign on the Dotted Line if the Lender ...**

- Tells you to falsify information on the loan application (for example, suggests that you write down more income than you really have).
- Pressures you into applying for a loan for more money than you need, or one that has monthly payments larger than you can afford.
- Promises one set of terms but gives you another with no good reason for the change.
- Tells you to sign blank forms or forms that aren't completely filled in. If an item is supposed to be blank, draw a line through the space and initial it.
- Pressures you to sign today. A good deal today should be available tomorrow.

## **Know that You Have Rights under the Law**

### **You Have 3 Business Days to Cancel the Loan**

If you're using your home as security for a home equity loan (or for a second mortgage loan or a line of credit), federal law gives you 3 business days after signing the loan papers to cancel the deal—for any reason—without penalty. You must cancel in writing. The lender must return any money you have paid to date.

### **Do You Think You've Made a Mistake?**

Has the 3-day period during which you may cancel passed and you're worried that you've gotten in over your head? Do you think your loan fees were too high? Do you believe you were steered into monthly payments you can't afford? Has your lender repeatedly pressured you to refinance? Is your loan covered by insurance you don't need or want?

If you think you've been taken advantage of, state and federal laws may protect you. Also, the following organizations may be able to help:

- Your local or state bar association—sometimes listed under “Lawyers Referral Service” in the Yellow Pages of your phone book. The association may be able to refer you to low-cost or no-cost lawyers who can help.
- Your local consumer protection agency, state attorney general's office, or state office on aging, listed in the Blue Pages of your phone book.
- Your local fair housing group or affordable housing agency, housing counseling agency, or state housing agency.

You can learn more about credit and home equity loans by visiting the federal government's web site for consumers, [www.consumer.gov](http://www.consumer.gov) (see the Home and Community section). If you don't have access to the Internet, ask a friend or relative to get the information for you. Or visit your local library or senior center, which may offer you free access to the Internet on their computers.

# For More Information

## State Banks that Are Members of the Federal Reserve System

Division of Consumer and Community Affairs  
Mail Stop 801  
Federal Reserve Board  
Washington, DC 20551  
(202) 452-3693  
[www.federalreserve.gov](http://www.federalreserve.gov)

## Federally Insured State Non-Member Banks and Savings Banks

Federal Deposit Insurance Corporation  
Consumer Response Center  
2345 Grand Boulevard, Suite 100  
Kansas City, Missouri 64108  
(877) 275-3342  
[www.fdic.gov](http://www.fdic.gov)

## National Banks and National Bank-Owned Mortgage Companies

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

## Federally Insured Savings and Loan Institutions and Federally Chartered Savings Banks

Office of Thrift Supervision  
Consumer Programs  
1700 G Street, N.W., 6th Floor  
Washington, DC 20552  
(800) 842-6929  
[www.ots.treas.gov](http://www.ots.treas.gov)

## Federal Credit Unions

National Credit Union Administration  
Office of Public and Congressional Affairs  
1775 Duke Street  
Alexandria, VA 22314  
(703) 518-6330  
[www.ncua.gov](http://www.ncua.gov) For state-chartered credit unions, contact your state's regulatory agency.

**Mortgage Companies and Other Lenders** Federal Trade Commission Consumer Response Center 600 Pennsylvania Avenue, N.W.  
Washington, DC 20580 (877) FTC-HELP (877-382-4357, toll free) [www.ftc.gov](http://www.ftc.gov)

**Other Information Sources** U.S. Department of Justice Civil Rights Division 950 Pennsylvania Ave., N.W. Housing and Civil Enforcement  
Section, NWB Washington, DC 20530 (202) 514-4713 [www.usdoj.gov/crt/housing/index.html](http://www.usdoj.gov/crt/housing/index.html)

Federal Housing Finance Board 1777 F Street, N.W. Washington, DC 20006 (202) 408-2500 [www.fhfb.gov](http://www.fhfb.gov)

Department of Housing and Urban Development 451 7th Street, S.W. Washington, DC 20410

800-669-9777 (voice) 800-927-9275 (TTY) [www.hud.gov](http://www.hud.gov)

Office of Federal Housing Enterprise Oversight (OFHEO)  
1700 G Street, N.W.  
4th Floor  
Washington, DC 20552  
(202) 414-6922  
[www.ofheo.gov](http://www.ofheo.gov)

Raritan Bay Federal Credit Union 491 Raritan Street Sayreville, NJ 08872

Website: [www.rbfcu.coop](http://www.rbfcu.coop) Phone: (732) 727-3500 Fax: (732) 727-2527

*491 Raritan Street, Sayreville, NJ 08872  
tel 732.727.3500 fax 732.727.2527*