Attachment A

FEDERAL RESERVE BOARD CONSUMER PROTECTION RESOURCES

Key Questions to Ask About Home Equity Lines of Credit

When you are shopping for a home equity line of credit, consider the questions below. Lines of credit can have risky features that could make it difficult for you to repay your balance. As a result, you could lose your home. Ask your lender about other loan products, such as a traditional home equity loan. For more information, go to: *www.frb.gov*.

1 Can my interest rate increase?

Lines of credit usually have a variable interest rate, which means that the rate can increase or decrease from time to time. A lender may offer you a lower initial interest rate for a short time. However, after this period ends the rate will usually increase.

2 Can my minimum payment increase?

Yes, your minimum payment can increase based on several factors, such as when your variable interest rate increases or you borrow more money.

3 When can I borrow money?

You can borrow money only for a specified time, starting when you open your account. During this time, known as the "borrowing period," you can borrow money and you must make minimum payments. When the borrowing period ends, you will no longer be able to borrow money from your line of credit.

4 How soon do I have to pay off my balance?

After the borrowing period ends, under some plans you may be required to pay off your balance immediately in one payment. Under other plans you will have a certain amount of time to pay down your balance. During this time, known as the "repayment period," you will not be able to borrow additional amounts and will have to make larger minimum payments than during the borrowing period.

5 Will I owe a balloon payment?

Under some plans, if you make only the minimum payments you will not pay off your entire balance by the end of the term. At that point, you will have to pay the remaining balance as a single lump-sum, known as a "balloon payment." If you cannot get another loan to repay this amount, or pay it off using your savings, you could lose your home.

6 Do I have to pay any fees?

In addition to an application fee, you may be required to pay four (4) types of fees for your line of credit: (i) fees to open your account, such as loan origination or property appraisal fees; (ii) fees to maintain your account, such as an annual fee; (iii) fees to use your account, such as a cash advance fee; and (iv) penalty fees, such as late payment or over-the-credit limit fees.

7 Should I get a home equity loan instead of a line of credit?

With a home equity loan, you can borrow a fixed amount of money at a fixed interest rate. This means that your interest rate and minimum payment will stay the same over time. Consider a home equity loan if you plan to borrow a fixed amount of money at one time and want to know the exact amount of your minimum payment. Consider a home equity line of credit if you plan to borrow different amounts of money over time and can afford higher payments, even if the interest rate on your line of credit reaches its maximum.