

HOME EQUITY LINE OF CREDIT APPLICATION CHECKLIST

To help expedite this home equity line of credit application, please provide us with the following documents and information:

Employment Income

- Most recent pay-stub(s) covering a one month period
- W-2 for the previous two years

Self Employed Income/Commission

- Copy of previous year Personal Federal tax returns for previous two years (including 1099 if applicable)

Rental Income

- Copy of previous two years Personal Federal Tax Returns (including Schedule E)
- Rental Agreements for rental properties if rental income is not yet reflected on tax returns

Other Types of Income

- Retirement/Pension/Social Security/Dependent Benefit/ Disability Income: Copy of Award Letter, or 1099, or most recent bank statement, or equivalent documentation evidencing current receipt
- Dividend and Interest/Capital Gains: Copy of previous two years Personal Federal Tax Returns (including applicable schedule)

Additional Information

- Copy of Trust Agreement (Long or Short Form) if the property is held in trust (including all amendments.)
- Hazard/Hurricane/Flood Insurance – copy of binder or certificate (include agent contact information)
- Copy of a recent first mortgage statement (if applicable)
- Other: _____

Introductory Fixed Rate

- One Year Two Years Three Years

Additional documentation may be required at the discretion of the CPHL Department.

HOME EQUITY LINE OF CREDIT APPLICATION

Please Check The Appropriate Box Below:

You Are Applying:

- If you are applying for INDIVIDUAL credit in your own name and are relying on your own income or assets and not the income or assets of another person as the basis for repayment of the credit requested, complete all blanks except Co-Applicant sections.
- If you are applying for JOINT credit with another person – complete all sections and initial. _____ _____
Applicant Initials Co-Applicant Initials
- If you are applying for INDIVIDUAL credit, but are relying on income from alimony, child support or separate maintenance or the income or assets of another person as the basis for repayment of the credit requested – complete all sections (except Co-Applicant sections) to the extent possible, and on a separate sheet, provide information about the person on whose alimony, support or maintenance payments, or income or assets you are relying.

Your Credit Request:

- YOU ARE REQUESTING A NEW HOME EQUITY LINE OF CREDIT IN THE AMOUNT OF \$ _____
- If you are converting an existing Central Pacific Bank Home Equity Line of Credit Account to a new Home Equity Line of Credit Account, any accrued but unpaid interest, fees and charges must be paid prior to the conversion. Alternatively, if you want us to rollover those amounts into your new Account as a part of your new Account balance and subject to your available credit limit, please request us to do so by signing here.

 Applicant's Signature

 Co-Applicant's Signature

- Increase to Existing Home Equity Line of Credit Account No.: _____

Is Home Equity Line of Credit for debt consolidation? Yes No

Are you a U.S. citizen? Applicant Yes No Co-Applicant Yes No

You are requesting that the Home Equity Line of Credit be linked to the following Central Pacific Bank checking account for the purpose of overdraft protection:

- Yes No Checking Account No.: _____

Automatic Payment Authorization (Leave Blank if Not Applicable.)

I authorize Central Pacific Bank to withdraw the minimum payment(s) due from my: Checking Savings Account No. _____
 I agree that this authorization will not be cancelled until the loan and/or line is paid in full or I revoke this authorization in writing.

Applicant

Last Name	First Name	MI	Birth Date	Social Security Number	Mother's Maiden Name
_____				_____	

Home Address	City, State, Zip Code	No. of Yrs at This Address	Monthly Payment	<input type="checkbox"/> Own <input type="checkbox"/> Rent
_____		_____		

Mailing Address if Different	City, State, Zip Code	Home Phone	Cell Phone	E-mail Address
_____		_____		

Previous Address if at Current Address Less Than 2 Years _____
 Marital Status: Married Separated Unmarried
(Unmarried includes single, divorced, and widowed)

If your home is held in your personal trust, then you as creator (maker/grantor/settlor/trustor) of your trust, the trustee(s), and you and possibly other beneficiaries of your trust, will be required to be co-applicants and co-borrowers on your line of credit, and be required to execute a mortgage on your home to secure repayment of this line of credit, and you will also be required to provide a copy of your trust agreement or, if approved by Lender, a certification of trust in compliance with applicable law.

Employment

Employer (Please Indicate if Self-Employed)	Address
_____	_____

Position or Title	How Long	Work Phone	Gross Monthly Salary/Wages*
_____	_____	_____	_____

Previous Employer if at Current Employer Less Than 2 Years	Position or Title	How Long	Gross Monthly Salary/Wages
_____	_____	_____	_____

Retired <input type="checkbox"/> Yes <input type="checkbox"/> No	Pension Monthly Income	Social Security Monthly Income	Other Gross Monthly Income*	Source of Other Income*
	_____	_____	_____	_____

Rental Income <input type="checkbox"/> Yes <input type="checkbox"/> No	Rental Monthly Income	Property Address
	_____	_____

***Alimony, child support or separate maintenance income need not be revealed if you do not wish to have it considered as a basis for repaying this loan.**

Co-Applicant

Last Name _____ First Name _____ MI _____ Birth Date _____ Social Security Number _____ Mother's Maiden Name _____
 Home Address _____ City, State, Zip Code _____ No. of Yrs at This Address _____ Monthly Payment _____ Own Rent
 Mailing Address if Different _____ City, State, Zip Code _____ Home Phone _____ Cell Phone _____ E-mail Address _____
 Previous Address if at Current Address Less Than 2 Years _____ Marital Status: Married Separated Unmarried
 (Unmarried includes single, divorced, and widowed)

If your home is held in your personal trust, then you as creator (maker/grantor/settlor/trustor) of your trust, the trustee(s), and you and possibly other beneficiaries of your trust, will be required to be co-applicants and co-borrowers on your line of credit, and be required to execute a mortgage on your home to secure repayment of this line of credit, and you will also be required to provide a copy of your trust agreement or, if approved by Lender, a certification of trust in compliance with applicable law.

Co-Applicant Employment

Employer (Please Indicate if Self-Employed) _____ Address _____
 Position or Title _____ How Long _____ Work Phone _____ Gross Monthly Salary/Wages* _____
 Previous Employer if at Current Employer Less Than 2 Years _____ Position or Title _____ How Long _____ Gross Monthly Salary/Wages* _____
 Retired Yes No Pension Monthly Income _____ Social Security Monthly Income _____ Other Gross Monthly Income* _____ Source of Other Income* _____
 Rental Income Yes No Rental Monthly Income _____ Property Address _____

***Alimony, child support or separate maintenance income need not be revealed if you do not wish to have it considered as a basis for repaying this loan.**

Property That Will Secure The Loan

Address _____ City, State, Zip Code _____ Tenure: Fee Simple Leasehold
 Occupancy: Owner-Occupied Second Home Rental or Investment Property Type: Single Family Residence 2-4 Family Residence
 Property Value (Est.) _____ TMK#: _____ Condominium Town Home
 Maintenance Fee \$ _____ Property Management Company: _____
 Title held in what name(s): _____
 First Mortgage Company (if applicable): _____ First Mortgage Balance (Est.) \$ _____
 Is the property currently or has recently been renovated within the previous 12 months? Yes No
 If yes, has the renovation been completed? Yes No
 Yes, I have an equity line. Lender: _____ Maximum Line \$ _____ Unpaid Balance \$ _____
 No, I do not have an equity line.

The Following Are Your Debts or Open Accounts Including Joint Accounts:
 (Co-Applicant debts or open accounts held separately may be listed on a separate sheet.)

Name of Creditor	Type of Account or Item Financed (i.e. Auto Loan, Unsecured Loan, Credit Card, Department Charge Card, etc.)	Minimum Monthly Payment	Present Balance	Payoff with Loan Proceeds
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>

Financial Statement:
The Following Are Your Assets and Liabilities Including Joint Accounts:
 (Co-Applicant assets and liabilities held separately may be listed on a separate sheet.)

Assets	Amount	Liabilities	Amount
Cash In This Bank		Notes Payable to This Bank	
Cash On Hand Or In Other Banks		Notes Payable to Other Banks	
Loans Due Me		Notes Payable to Others	
Due From Friends and Relatives		Due to Friends and Relatives	
Cash Surrender Value Life Insurance		Loans on Life Insurance	
Stocks and Bonds		Real Estate Mortgages	
Real Estate — Itemize Below		Agreements of Sale Owed	
Agreements of Sales Owned		Income Taxes Payable	
Household Goods and Personal Property		Other Liabilities (Describe)	
Automobiles			
Other Assets (Describe)		Total Liabilities	
Total Assets		Net Worth (Assets Minus Liabilities)	

You have the following services with Central Pacific Bank:

Savings Account No. _____ Branch _____
 Checking Account No. _____ Branch _____

Installment Loan No. _____ Branch _____
 Installment Loan No. _____ Branch _____

Real Estate Properties:

Address 1 _____ Mortgage Company _____ Year Acquired _____
 Cost _____ Current Value _____ Mortgage Balance _____
 Monthly Payments _____ Maintenance Fee _____ Monthly Rent _____

Address 2 _____ Mortgage Company _____ Year Acquired _____
 Cost _____ Current Value _____ Mortgage Balance _____
 Monthly Payments _____ Maintenance Fee _____ Monthly Rent _____

Address 3 _____ Mortgage Company _____ Year Acquired _____
 Cost _____ Current Value _____ Mortgage Balance _____
 Monthly Payments _____ Maintenance Fee _____ Monthly Rent _____

Are you and/or co-applicant a defendant in any suits or legal action? Yes No

If yes, please explain (amount, to whom): _____

Have you and/or co-applicant ever filed for bankruptcy? Yes No

If yes, please explain (amount, circumstances, when): _____

Acknowledgments and Signatures

Each of the undersigned specifically represents to Lender, and agrees and acknowledges that; (1) the information provided in this application is true and correct as of the date set forth opposite your signature, (2) the Lender may continuously rely on the information contained in the application, and you are obligated to amend and/or supplement the information provided if any of the material facts that you have represented herein should change prior to closing of the Loan, (3) you authorize Lender to verify the information provided and to get and give credit information about you both now and in the future, (4) you have received and retained the Central Pacific Bank Home Equity Line of Credit Disclosures and information materials included with this application, (5) your transmission of this application as an "electronic record" containing "electronic signature" as those terms are defined in applicable federal or state laws (excluding audio and video recordings), or your facsimile transmission of this application containing a facsimile of your signature, shall be as effective, enforceable and valid as if a paper version of this application were delivered containing your original written signature.

By signing below you hereby agree that if your home is titled under your personal trust, that your applicant signature below is on behalf of you in your individual name and capacity, and also in all capacities that you hold under your trust, to include, without limitation, as a creator/maker/grantor/settlor/trustor, as a trustee, and as a beneficiary, and you agree to execute all loan documents in all such capacities, in order to legally bind you and your trust in all respects to this loan.

Applicant's Signature _____ Date _____

Co-Applicant's Signature _____ Date _____

For Bank Use Only – CIP, CPB/CPHL

CIP:

Applicant: ID Type _____ **Co-Applicant:** ID Type _____

ID No. _____ ID No. _____

ID Issuance Date _____ ID Issuance Date _____

ID Expiration Date _____ ID Expiration Date _____

State/County of Issuance _____ State/County of Issuance _____

Verification of Existing Borrower/Accountholder

If this box is checked, I certify that:
Individual identification documentation is available
in the Fiserv database.

Verification of Existing Borrower/Accountholder

If this box is checked, I certify that:
Individual identification documentation is available
in the Fiserv database.

Referred By:

CPB/CPHL Employee: _____ Branch: _____ Employee No.: _____

Seller:

CPB/CPHL Employee: _____ Branch: _____ Employee No.: _____

Seller Employee Initials: _____ E-mail: _____ Phone: _____

Application Received Date: _____

IMPORTANT TERMS OF OUR HOME EQUITY LINE OF CREDIT 30 Year Term (10 Year Draw – 20 Year Repayment)

**This disclosure contains important information
about our Home Equity Line Of Credit (the “Line”).
You should read it carefully and keep a copy for
your records.**

AVAILABILITY OF TERMS. All of the terms described below are subject to change at any time prior to opening the Line. 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 that you paid to us or anyone else in connection with your application. You should ask about current index value, margin, any applicable discounts, and annual percentage rate.

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.

Termination and Acceleration. We can terminate the Line and require you to pay us the entire outstanding balance in one payment, and charge you certain fees, if any of the following happen:

- a) You commit fraud or make a material misrepresentation in connection with the Line.
- b) You do not meet the Line's repayment terms.
- c) Your action or inaction adversely affects the collateral for the Line or our rights in the collateral.

Suspension or Reduction. We can also refuse additional extensions of credit or reduce the credit limit if:

- a) The value of the dwelling securing the Line declines significantly below its appraised value for purposes of the Line.
- b) We reasonably believe that you will be unable to fulfill your payment obligations under the Line due to a material change in your financial circumstances.
- c) You are in default under any material obligation in the agreement for the Line.
- d) Government action prevents us from imposing the ANNUAL PERCENTAGE RATE provided for under the line or impairs our security interest such that the value of the security interest is less than 120% of the credit limit for the Line.
- e) A regulatory agency has notified us that continued advances may constitute an unsafe and unsound business practice.
- f) The maximum ANNUAL PERCENTAGE RATE under the Line is reached.

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

PROPERTY INSURANCE. You must carry hazard insurance inclusive of extended fire and hurricane coverage on the dwelling that secures the Line. Flood insurance is required if you are in a designated special flood hazard area.

MINIMUM PAYMENT REQUIREMENTS. You can obtain advances of credit under the Line for 120 months (the “Draw Period”). During the Draw Period, payment of all the accrued but unpaid finance charges plus any amount past due and other charges will be due monthly. At the end of the Draw Period, you will no longer be able to obtain credit advances under the Line and must repay the outstanding balance by making monthly payments for 240 months (the “Repayment Period”).

During the Repayment Period, your minimum monthly payment will be 0.417% (1/240) of the principal balance of the Line (as determined as of the first day of the Repayment Period), plus all accrued but unpaid finance charges, any amount past due, and other charges or \$25.00, whichever is greater. An increase in the ANNUAL PERCENTAGE RATE may increase the amount of your minimum monthly payment.

MINIMUM PAYMENT EXAMPLE: If you took a single \$10,000 advance and the ANNUAL PERCENTAGE RATE was 4.75%, it would take 360 months to pay off the advance if you made the minimum payments. During the 10 - year Draw Period, you would make 120 monthly payments ranging from \$37.74 to \$40.34. During the 20 - year Repayment Period, you would make 240 monthly payments ranging from \$41.03 to \$81.84.

MAXIMUM RATE AND PAYMENT EXAMPLE: The ANNUAL PERCENTAGE RATE OF 18% could be reached at the first adjustment of the Draw Period. If the ANNUAL PERCENTAGE RATE equaled the maximum ANNUAL PERCENTAGE RATE OF 18.00% and you had an outstanding balance of \$10,000.00, the 120 monthly payments during the 10 - year Draw Period would range from \$143.01 to \$152.88. During the 20 - year Repayment Period, you would make 240 monthly payments ranging from \$41.49 to \$193.91.

PREPAYMENT. You may prepay all or any amount owing under the Line at any time without penalty.

TRANSACTION REQUIREMENTS. The following transaction limitations will apply to the use of the Line:

Credit Line Home Equity Line of Credit Check, In Person Request and Overdraft Limitations. The following transaction limitations will apply to the Line and the writing of Home Equity Line of Credit Checks, requesting an advance in person, and writing a check or use of ATM and debit card or charges to the checking account in excess of your checking account balance if the overdraft feature is selected by you and the Line is linked to your Central Pacific Bank ("CPB") checking account.

Minimum Advance Amount. The minimum amount of any credit advance that can be made on the Line is \$250. This means any Home Equity Line of Credit Check must be written for at least the minimum advance amount. In addition, this means that, if the Line is linked to your CPB checking account with us, and your CPB checking account balance is exceeded by a check that you write on your CPB checking account, your use of an ATM card or debit card linked to the CPB checking account, or any charges to the CPB checking account, we will automatically make a credit advance to your CPB checking account in \$250 increments, which will be large enough to cover your check, ATM or debit card use, or charge. You should keep this minimum advance amount in mind when you use the Line to fund overdrafts on your linked CPB checking account.

Other Transaction Requirements. When your available credit is less than the normal \$250 increment, the credit advance may be for a lesser amount.

FEES AND CHARGES. In order to open the Line, you must pay certain fees and charges, which will be due as follows at Line opening:

- **Third Party Fees.** You must pay certain fees to third parties. These third party fees generally total between \$ 110.00 and \$ 4,940.00. Upon request, we will provide you with an itemization of the fees you will have to pay to third parties. All of the third party fees must be paid by you either by check or as an advance from the Line.

In addition, we may charge the following fees once the Line is opened:

- **Termination Fee.** You must pay us \$500.00 or 2.0% of the original credit limit, whichever is lower, if you request termination of the Line within the first 3 years of the Draw Period.
- **Less than Minimum Advance Fee.** We may charge a \$15.00 fee for any advance you obtain that is less than the minimum advance of \$250.00.

TAX DEDUCTIBILITY. You should consult a tax advisor regarding the deductibility of interest and charges for the Line.

OTHER PRODUCTS. If you ask, we will provide you with information on our other available home equity products.

VARIABLE RATE FEATURE. The Line has a variable rate feature. The ANNUAL PERCENTAGE RATE (corresponding to the periodic rate) and the minimum monthly payment amount can change as a result. The variable rate feature applies to both the Draw and Repayment Periods. The ANNUAL PERCENTAGE RATE includes only interest and no other costs.

The Index. The ANNUAL PERCENTAGE RATE is based on the value of an index (referred to in this disclosure as the "Index") and is subject to a minimum and maximum rate as described in Annual Percentage Rate Adjustments below. The Index is the **highest Prime Rate published in the Money Rates section of The Wall Street Journal**. To determine the **ANNUAL PERCENTAGE RATE** we will use the most recent Index value available to us as of the date of any ANNUAL

PERCENTAGE RATE adjustment. If the Index is no longer available, we will choose a new Index and margin. The new index will have a historical movement substantially similar to the original Index, and the new Index and margin will result in an ANNUAL PERCENTAGE RATE that is substantially similar to the rate in effect at the time the original Index becomes unavailable.

ANNUAL PERCENTAGE RATE. To determine the ANNUAL PERCENTAGE RATE that will apply to the Line, we will add a margin to the value of the Index. A change in the Index rate generally will result in a change in the ANNUAL PERCENTAGE RATE. The amount of the ANNUAL PERCENTAGE RATE may also be affected by the lifetime minimum and maximum ANNUAL PERCENTAGE RATE limits, as discussed below. If you have a CPB Exceptional Checking account at the time the Line is opened, you will receive a margin discount of one quarter of one percent (.25%). If you terminate the CPB Exceptional Checking account, the one quarter of one percent (.25%) discount shall be cancelled and the margin added to the Index shall revert back to the Index plus the original margin. Please ask us for the current Index value, margin, discount, and ANNUAL PERCENTAGE RATE. After you open the Line, ANNUAL PERCENTAGE RATE information will be provided on or with each periodic statement that we send you.

ANNUAL PERCENTAGE RATE ADJUSTMENTS. The ANNUAL PERCENTAGE RATE will increase or decrease if the Index increases or decreases. Adjustments to the ANNUAL PERCENTAGE RATE resulting from changes in the Index will take effect monthly, on the day after the last business day of each month. A business day is every day except Saturday and Sunday. However, under no circumstances will your ANNUAL PERCENTAGE RATE be less than 4.50% or exceed 18.00% per annum at any time during the term of the Line. Except for this 4.50% "floor" and 18.00% "cap" there is no limit on the amount by which the ANNUAL PERCENTAGE RATE can change during any one-year period.

HISTORICAL EXAMPLE. The table below shows how the ANNUAL PERCENTAGE RATE and the minimum payments for a single \$10,000.00 credit advance would have changed based on changes in the Index over the last 15 years. The Index values are from November 1 of each year. While only one payment per year is shown, payments may have varied during each year.

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

Year (As of November 1 of each year)	Index (Percent)	Margin* (Percent)	ANNUAL PERCENTAGE RATE	Minimum Monthly Payment (Dollars)
2000	9.50	1.50	11.00	90.41
2001	5.50	1.50	7.00	57.53
2002	4.75	1.50	6.25	51.37
2003	4.00	1.50	5.50	45.21
2004	4.75	1.50	6.25	51.37
2005	7.00	1.50	8.50	69.86
2006	8.25	1.50	9.75	80.14
2007	7.50	1.50	9.00	73.97
2008	4.00	1.50	5.50	45.21
2009	3.25	1.50	4.75	39.04
2010	3.25	1.50	4.75	80.71
2011	3.25	1.50	4.75	78.76
2012	3.25	1.50	4.75	76.81
2013	3.25	1.50	4.75	74.85
2014	3.25	1.50	4.75	72.90

*This is a margin we have used recently; your margin may be different



**ADDENDUM TO CENTRAL PACIFIC BANK HOME EQUITY LINE OF CREDIT APPLICATION
DISCLOSURE – IMPORTANT TERMS OF OUR HOME EQUITY LINE OF CREDIT**

EFFECTIVE: 3/9/15 – 4/30/15

The attached Central Pacific Bank Home Equity Line of Credit application disclosures – Important Terms of Our Home Equity Line of Credit (the “Disclosure”) is amended as follows:

1. **VARIABLE RATE FEATURE** section. The Variable Rate Feature section of the Disclosure is amended by the addition of the following subsection as a new subsection immediately following the third subsection:

The initial ANNUAL PERCENTAGE RATE. The initial ANNUAL PERCENTAGE RATE is “discounted” – it is not based on the Index and margin that is used for later rate adjustments. The initial ANNUAL PERCENTAGE RATE will be in effect for the first twelve (12) months the Line is opened. The initial ANNUAL PERCENTAGE RATE of 0.99% is conditioned upon your agreement that the minimum monthly payment will be automatically debited from a Central Pacific Bank (“CPB”) Checking Account. After the first twelve (12) months, or if the automatic debit agreement is cancelled or the CPB Checking Account is closed during the first twelve (12) months by you, the ANNUAL PERCENTAGE RATE will change to the variable rate as described in the Variable Rate Feature section of the Important Terms of our Home Equity Line of Credit.

2. **MAXIMUM RATE AND PAYMENT EXAMPLE** section. The Maximum Rate and Payment Example section of the Disclosure is amended by deleting the first sentence of that section in its entirety and replacing it with the following:

“The ANNUAL PERCENTAGE RATE of 18% could be reached on the day after the last business day of the twelfth (12) month following the opening of the Line.”

3. **HISTORICAL EXAMPLE** section. The table contained in the section titled “Historical Example” section of the Disclosure is deleted and replaced with the following:

Year (As of November 1 of each year)	Index (Percent)	Margin* (Percent)	ANNUAL PERCENTAGE RATE	Minimum Monthly Payment (Dollars)
2000	9.50	1.50	0.99**	8.14
2001	5.50	1.50	7.00	57.53
2002	4.75	1.50	6.25	51.37
2003	4.00	1.50	5.50	45.21
2004	4.75	1.50	6.25	51.37
2005	7.00	1.50	8.50	69.86
2006	8.25	1.50	9.75	80.14
2007	7.50	1.50	9.00	73.97
2008	4.00	1.50	5.50	45.21
2009	3.25	1.50	4.75	39.04
2010	3.25	1.50	4.75	80.71
2011	3.25	1.50	4.75	78.76
2012	3.25	1.50	4.75	76.81
2013	3.25	1.50	4.75	74.85
2014	3.25	1.50	4.75	72.90

*This is a margin we have used recently; your margin may be different.

**This rate reflects a 0.99% discounted initial interest rate we have recently used; your initial rate may be different.

4. **NO OTHER CHANGES.** Except for the changes described above, the Disclosure remains unchanged.

**ADDENDUM TO CENTRAL PACIFIC BANK HOME EQUITY LINE OF CREDIT APPLICATION
DISCLOSURE – IMPORTANT TERMS OF OUR HOME EQUITY LINE OF CREDIT**

EFFECTIVE: 3/9/15 – 4/30/15

The attached Central Pacific Bank Home Equity Line of Credit application disclosures – Important Terms of Our Home Equity Line of Credit (the “Disclosure”) is amended as follows:

1. **VARIABLE RATE FEATURE** section. The Variable Rate Feature section of the Disclosure is amended by the addition of the following subsection as a new subsection immediately following the third subsection:

The initial ANNUAL PERCENTAGE RATE. The initial ANNUAL PERCENTAGE RATE is “discounted” – it is not based on the Index and margin that is used for later rate adjustments. The initial ANNUAL PERCENTAGE RATE will be in effect for the first twenty-four (24) months the Line is opened. The initial ANNUAL PERCENTAGE RATE of 1.75% is conditioned upon your agreement that the minimum monthly payment will be automatically debited from a Central Pacific Bank (“CPB”) Checking Account. After the first twenty-four (24) months, or if the automatic debit agreement is cancelled or the CPB Checking Account is closed during the first twenty-four (24) months by you, the ANNUAL PERCENTAGE RATE will change to the variable rate as described in the Variable Rate Feature section of the Important Terms of our Home Equity Line of Credit.

2. **MAXIMUM RATE AND PAYMENT EXAMPLE** section. The Maximum Rate and Payment Example section of the Disclosure is amended by deleting the first sentence of that section in its entirety and replacing it with the following:

“The ANNUAL PERCENTAGE RATE of 18% could be reached on the day after the last business day of the twenty-fourth (24) month following the opening of the Line.”

3. **HISTORICAL EXAMPLE** section. The table contained in the section titled “Historical Example” section of the Disclosure is deleted and replaced with the following:

Year (As of November 1 of each year)	Index (Percent)	Margin* (Percent)	ANNUAL PERCENTAGE RATE	Minimum Monthly Payment (Dollars)
2000	9.50	1.50	1.75**	14.38
2001	5.50	1.50	1.75**	14.38
2002	4.75	1.50	6.25	51.37
2003	4.00	1.50	5.50	45.21
2004	4.75	1.50	6.25	51.37
2005	7.00	1.50	8.50	69.86
2006	8.25	1.50	9.75	80.14
2007	7.50	1.50	9.00	73.97
2008	4.00	1.50	5.50	45.21
2009	3.25	1.50	4.75	39.04
2010	3.25	1.50	4.75	80.71
2011	3.25	1.50	4.75	78.76
2012	3.25	1.50	4.75	76.81
2013	3.25	1.50	4.75	74.85
2014	3.25	1.50	4.75	72.90

*This is a margin we have used recently; your margin may be different.

**This rate reflects a 1.75% discounted initial interest rate we have recently used; your initial rate may be different.

4. **NO OTHER CHANGES.** Except for the changes described above, the Disclosure remains unchanged.

**ADDENDUM TO CENTRAL PACIFIC BANK HOME EQUITY LINE OF CREDIT APPLICATION
DISCLOSURE – IMPORTANT TERMS OF OUR HOME EQUITY LINE OF CREDIT**

EFFECTIVE: 3/9/15 – 4/30/15

The attached Central Pacific Bank Home Equity Line of Credit application disclosures – Important Terms of Our Home Equity Line of Credit (the “Disclosure”) is amended as follows:

1. **VARIABLE RATE FEATURE** section. The Variable Rate Feature section of the Disclosure is amended by the addition of the following subsection as a new subsection immediately following the third subsection:

The initial ANNUAL PERCENTAGE RATE. The initial ANNUAL PERCENTAGE RATE is “discounted” – it is not based on the Index and margin that is used for later rate adjustments. The initial ANNUAL PERCENTAGE RATE will be in effect for the first thirty-six (36) months the Line is opened. The initial ANNUAL PERCENTAGE RATE of 2.99% is conditioned upon your agreement that the minimum monthly payment will be automatically debited from a Central Pacific Bank (“CPB”) Checking Account. After the first thirty-six (36) months, or if the automatic debit agreement is cancelled or the CPB Checking Account is closed during the first thirty-six (36) months by you, the ANNUAL PERCENTAGE RATE will change to the variable rate as described in the Variable Rate Feature section of the Important Terms of our Home Equity Line of Credit.

2. **MAXIMUM RATE AND PAYMENT EXAMPLE** section. The Maximum Rate and Payment Example section of the Disclosure is amended by deleting the first sentence of that section in its entirety and replacing it with the following:

“The ANNUAL PERCENTAGE RATE of 18% could be reached on the day after the last business day of the thirty-sixth (36) month following the opening of the Line.”

3. **HISTORICAL EXAMPLE** section. The table contained in the section titled “Historical Example” section of the Disclosure is deleted and replaced with the following:

Year (As of November 1 of each year)	Index (Percent)	Margin* (Percent)	ANNUAL PERCENTAGE RATE	Minimum Monthly Payment (Dollars)
2000	9.50	1.50	2.99**	24.58
2001	5.50	1.50	2.99**	24.58
2002	4.75	1.50	2.99**	24.58
2003	4.00	1.50	5.50	45.21
2004	4.75	1.50	6.25	51.37
2005	7.00	1.50	8.50	69.86
2006	8.25	1.50	9.75	80.14
2007	7.50	1.50	9.00	73.97
2008	4.00	1.50	5.50	45.21
2009	3.25	1.50	4.75	39.04
2010	3.25	1.50	4.75	80.71
2011	3.25	1.50	4.75	78.76
2012	3.25	1.50	4.75	76.81
2013	3.25	1.50	4.75	74.85
2014	3.25	1.50	4.75	72.90

*This is a margin we have used recently; your margin may be different.

**This rate reflects a 2.99% discounted initial interest rate we have recently used; your initial rate may be different.

4. **NO OTHER CHANGES.** Except for the changes described above, the Disclosure remains unchanged.

INFORMATION AUTHORIZATION

I/we have applied for a mortgage loan from Central Pacific Bank. As part of the application process, Central Pacific Bank is authorized to verify information contained in my/our loan application and in any other document required in connection with the loan, either before the loan is funded or to perform any quality control review of my application after funding.

I/we authorize Central Pacific Bank to order a consumer credit report and verify other credit information, including past and present mortgage, landlord references, and to obtain loan payoff figures. I/we further authorize Central Pacific Bank to obtain a title search and other documents pertaining to the property that will serve as security for the loan.

I/we authorize Central Pacific Bank and any investor or Lender that purchases the mortgage, or any mortgage insurance company to re-verify any and all information and documentation contained in the application at any time. Such information includes but is not limited to; verification of employment, income, bank accounts, investment accounts, credit history, and copies of income tax returns.

The information that Central Pacific Bank and any investor, lender or mortgage insurance obtains is only to be used in the processing of my/our application for a mortgage loan, and/or in the performance of post-closing quality control review of my/our application.

Privacy Act Notice: This information Authorization is to be used by the agency collecting it in determining whether you qualify as a prospective mortgagor under its program. It will not be disclosed outside the agency except to your employer(s) for verification of employment and to financial institutions for verification of your deposits or loans and as required and permitted by law. You do not have to give us this information, but if you do not, your application for approval as a prospective mortgagor or borrower may be delayed or rejected. The information requested in this form is authorized by Title 38, USC, Chapter 37 (if VA); by 12 USC, Section 1701 et seq. (If HUD/FHA; and Title 42 USC, 1471 et seq., or 7 USC, 1921 et. seq. (If USDA FmHA).

For HUD/FHA Loans:

NOTICE TO BORROWERS: This is notice to you as required by the Right to Financial Privacy Act of 1978 that HUD/FHA has a right of access to financial records held by financial institutions in connection with the consideration or administration of assistance to you. Financial records involving your transaction will be available to HUD/FHA without further notice or authorization but will not be disclosed or released by this institution to another Government Agency or Department without your consent except as required or permitted by law.

A photocopy or facsimile copy of this form shall be deemed to be the equivalent of the original and shall be as effective consent as the original which I/we have signed.

Borrower

Date

Borrower

Date

PUBLIC INFORMATION NOTICE PURSUANT TO HAWAII REVISED STATUTES SECTION 667-41

WHAT IS FORECLOSURE?

This notice informs you regarding a lender's right to foreclose in the event of a default on the loan you have applied for or are considering if your home is used to secure its repayment.

The mortgage agreement or contract that you may enter into states that in the event the amounts due under the loan are not paid when they are due, or for other reasons you do not perform your promises in the note and mortgage, all of which are known as defaults, the lender shall have the option to foreclose the mortgage, which will result in a sale of your home.

The entity or person who holds your mortgage ("Mortgagee") may send you a notice informing you that the Mortgagee is starting foreclosure proceedings. You should not wait for that to happen; take steps to prevent a foreclosure as soon as you are having trouble paying your mortgage. You should contact your lender or your lender's loan servicer, or you may contact a budget and credit counselor or housing counselor, to discuss your situation.

STEP ONE: NOTICE OF DEFAULT. The first step in the foreclosure process is the Mortgagee usually sends you a written notice of default, which occurs after you are past due on your mortgage payment. The Mortgagee will tell you in the notice how much time you have to pay the required amount that

is past due and, by paying, will return your loan to good standing.

STEP TWO: PROCEEDING TO FORECLOSURE. If you do not pay the required amount past due by the deadline in the notice of default, the Mortgagee may elect to proceed to collect the balance due on your loan through foreclosure. In Hawaii, there are two types of foreclosures: judicial and nonjudicial.

In a **JUDICIAL FORECLOSURE**, the Mortgagee files a lawsuit against you in order to obtain a court judgment that you owe the balance due under your loan and to obtain an order to sell the property. The initial legal document you will receive in the lawsuit is called the complaint. You should consult an attorney of your choice who can advise you as to the steps needed to protect your rights. Judicial foreclosure involves the sale of the mortgaged property under the supervision of the court. You will receive notice of the foreclosure case hearings and the sale date and the judicial decision is announced after a hearing in court. The sale of the property must be approved by the court before it can be completed.

In a **NONJUDICIAL FORECLOSURE**, the process follows the procedures spelled out in Chapter 667 of the Hawaii Revised Statutes and in your mortgage. The nonjudicial procedures allow a Mortgagee to foreclose on and sell the property identified in the mortgage without filing a lawsuit or court supervision. This nonjudicial foreclosure is also called a power of sale foreclosure. The Mortgagee starts the process by giving

you a written notice of default and of the Mortgagee's intent to sell the property. After the required time has elapsed, you will be sent a notice of nonjudicial foreclosure sale, which will tell you the date and location of the sale. In a NONJUDICIAL foreclosure, if you own an interest in the property you may have the right to participate in the Mortgage Foreclosure Dispute Resolution Program or to convert the nonjudicial foreclosure into a judicial foreclosure. The nonjudicial foreclosure may not proceed during the dispute resolution process or after it has been converted to a judicial foreclosure.

PLEASE NOTE: Even if a judicial or nonjudicial foreclosure has commenced, you may be able to reinstate the loan and keep your home if you pay the delinquent amount then due and the foreclosure expenses that your Mortgagee has incurred. You must contact the Mortgagee as soon as possible to determine whether reinstatement is possible.

STEP THREE: PUBLIC SALE. The sale of a foreclosed home is usually made through a public auction, where the highest bidder who can make a cash deposit of up to 10% of the bid can buy the property. In a judicial foreclosure, the court appoints a third party commissioner to advertise and conduct the sale.

In a nonjudicial foreclosure, the Mortgagee advertises and conducts the sale. In both types of sales, the Mortgagee has the right to buy the property by submitting a credit bid based upon the balance owed on the mortgage, so long as its bid is

higher than any other bids. If the Mortgagee buys the property, the Mortgagee has the right to re-sell it in a private sale at a later date.

STEP FOUR: DISBURSEMENT OF PROCEEDS; POTENTIAL DEFICIENCY JUDGMENT. After the foreclosure sale is completed, the proceeds are paid out to lien holders, including the Mortgagee, in the order set by law and lastly to you if there are any proceeds left.

In a **JUDICIAL FORECLOSURE**, the court tells the commissioner whom to pay and how much. If the property did not sell for enough to pay off the balance due under your loan, the Mortgagee has the right to ask the court for a deficiency judgment against you for the difference.

In a **NONJUDICIAL FORECLOSURE**, the Mortgagee distributes the proceeds from the sale. If you are an owner—occupant, the law prohibits a deficiency judgment against you unless the debt is secured by other collateral.

READ THE NOTE AND MORTGAGE CAREFULLY TO UNDERSTAND WHAT IS REQUIRED AND HOW TO AVOID FORECLOSURE, AND CONSULT WITH AN ATTORNEY REGARDING YOUR LEGAL RIGHTS.

Important Notice

Right to Receive a Copy of an Appraisal

The Equal Credit Opportunity Act, implemented by the Consumer Financial Protection Bureau as Regulation B, requires Central Pacific Bank to provide to an applicant a copy of any and all written appraisal or valuation reports ("Appraisal Report") developed in connection with an applicant's application for credit that is secured or would have been secured by a lien on a dwelling. Your right to receive a copy of an Appraisal Report is as follows and as applicable:

- If you are applying for credit that would be secured by a junior (second) lien on a dwelling:

We may order an appraisal to determine the property's value and charge you for this appraisal. You have the right to a copy of the Appraisal Report used in connection with your application for credit. If you wish a copy, please write to us at the following address:

Central Pacific Home Loans
201 Merchant St. Suite 1700
Honolulu, HI, 96813

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, please give us the following information:

Your name and mailing address
Property address

- If you are applying for credit that would be secured by a first lien on a dwelling:

We may order an appraisal to determine the property's value and charge you for this appraisal. We will promptly give you a copy of any appraisal, even if your loan does not close. You can pay for an additional appraisal for your own use at your own cost.

Your copy of the Appraisal Report will be provided no later than three business days prior to signing your loan closing documents. You will not be required to pay an additional amount to us to receive a copy of the Appraisal Report. You may waive the three business day advance delivery of the Appraisal Report by notifying us three or more business days prior to signing your loan closing documents. If the three business day requirement is waived, we will provide you with a copy of the Appraisal Report no later than loan closing. You can inform us by contacting us by phone at (808) 544-0500.

FACTS

WHAT DOES CENTRAL PACIFIC BANK DO WITH YOUR PERSONAL INFORMATION?

Why?

Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share and protect your personal information. Please read this notice carefully to understand what we do.

What?

The types of personal information we collect and share depend on the product or service you have with us. This information can include:

- Social Security number and income
- Account balances and transaction history
- Payment history and overdraft history

How?

All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons Central Pacific Bank chooses to share; and whether you can limit this sharing.

Reasons we can share your personal information	Does Central Pacific Bank Share?	Can you limit this sharing?
For our everyday business purposes — such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus	Yes	No
For our marketing purposes — to offer our products and services to you	Yes	No
For joint marketing with other financial companies	Yes	Yes
For our affiliates' everyday business purposes — information about your transactions and experiences	Yes	No
For our affiliates' everyday business purposes — information about your creditworthiness	No	We don't share
For our affiliates to market to you	No	We don't share
For nonaffiliates to market to you	No	We don't share

To limit our sharing

Call (808) 544-0500 or toll-free 1-800-342-8422.

Please note:

If you are a *new* customer, we can begin sharing your information 30 days from the date we sent this notice. When you are *no longer* our customer, we continue to share your information as described in this notice.

However, you can contact us at any time to limit our sharing.

Questions?

Call (808) 544-0500 or toll-free 1-800-342-8422.

Who we are

Who is providing this notice?

Central Pacific Bank

What we do

How does Central Pacific Bank protect my personal information?

To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings.

We restrict access to your personal information to those employees who need to know that information to provide services to you.

How does Central Pacific Bank collect my personal information?

We collect your personal information, for example, when you

- open an account or apply for a loan
- give us your contact information or pay your bills
- show your government-issued ID

We also collect your personal information from others, such as credit bureaus, affiliates, or other companies.

Why can't I limit all sharing?

Federal law gives you the right to limit only

- sharing for affiliates' everyday business purposes—information about your creditworthiness
- affiliates from using your information to market to you
- sharing for nonaffiliates to market to you

State laws and individual companies may give you additional rights to limit sharing.

What happens when I limit sharing for an account I hold jointly with someone else?

Your choices will apply to everyone on your account.

Definitions

Affiliates

Companies related by common ownership or control. They can be financial and nonfinancial companies.

- *Our affiliates include companies with a Central Pacific name, such as Central Pacific Financial Corp. and financial companies, such as Gentry HomeLoans, LLC, Haseko HomeLoans, LLC, Island Pacific HomeLoans, LLC, and Pacific Access Mortgage, LLC; and other financial and nonfinancial affiliated companies that we have or may establish in the future.*

Nonaffiliates

Companies not related by common ownership or control. They can be financial and nonfinancial companies.

- *Central Pacific Bank does not share with nonaffiliates so they can market to you.*

Joint marketing

A formal agreement between nonaffiliated financial companies that together market financial products or services to you.

- *Our joint marketing partners include credit card issuers and financial services companies.*

What you should know about home equity lines of credit



Consumer Financial
Protection Bureau

January 2014

This booklet was initially prepared by the Board of Governors of the Federal Reserve System. The Consumer Financial Protection Bureau (CFPB) has made technical updates to the booklet to reflect new mortgage rules under Title XIV of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). A larger update of this booklet is planned in the future to reflect other changes under the Dodd-Frank Act and to align with other CFPB resources and tools for consumers as part of the CFPB's broader mission to educate consumers. Consumers are encouraged to visit the CFPB's website at consumerfinance.gov/owning-a-home to access interactive tools and resources for mortgage shoppers, which are expected to be available beginning in 2014.

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1. 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.

1.1 Home equity plan checklist

Ask your lender to help you fill out this worksheet.

Basic features for comparison	Plan A	Plan B
Fixed annual percentage rate	%	%
Variable annual percentage rate	%	%
<input type="checkbox"/> Index used and current value	%	%
<input type="checkbox"/> Amount of margin		
<input type="checkbox"/> Frequency of rate adjustments		
<input type="checkbox"/> Amount/length of discount (if any)		
<input type="checkbox"/> Interest rate cap and floor		
Length of plan		
Draw period		

Basic features for comparison (continued)	Plan A	Plan B
Repayment period		
Initial fees		
Appraisal fee		
Application fee		
Up-front charges, including points		
Closing costs		
Repayment terms		
During the draw period		
Interest and principal payments		
Interest-only payments		
Fully amortizing payments		
When the draw period ends		
Balloon payment?		
Renewal available?		
Refinancing of balance by lender?		

2. 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 percent) 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
Less balance owed on mortgage	– \$40,000
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.

2.1 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 closing costs and other fees and charges, so you’ll need to compare these costs, as well as the APRs, among lenders.

2.1.1 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.

2.2 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 get a mortgage. 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.

2.3 How will you repay your home equity plan?

Before entering into a plan, consider how you will pay back the 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 only the interest 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.

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

2.4.1 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.

2.5 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-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.

DEFINED TERM

**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 plan.

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) 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 adjustable-rate-mortgage 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, lessor, 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.

APPENDIX B:

More information

For more information about mortgages, including home equity lines of credit, visit consumerfinance.gov/mortgage. For answers to questions about mortgages and other financial topics, visit consumerfinance.gov/askcfpb. You may also visit the CFPB's website at 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 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 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.

Regulatory agency	Regulated entities	Contact information
Consumer Financial Protection Bureau (CFPB) P.O. Box 4503 Iowa City, IA 52244	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 lending	(855) 411-CFPB (2372) consumerfinance.gov consumerfinance.gov/complaint
Board of Governors of the Federal Reserve System (FRB) Consumer Help P.O. Box 1200 Minneapolis, MN 55480	Federally insured state-chartered bank members of the Federal Reserve System	(888) 851-1920 federalreserveconsumerhelp.gov

Regulatory agency	Regulated entities	Contact information
<p>Office of the Comptroller of the Currency (OCC) Customer Assistance Group 1301 McKinney Street Suite 3450 Houston, TX 77010</p>	<p>National banks and federally chartered savings banks/associations</p>	<p>(800) 613-6743 occ.treas.gov helpwithmybank.gov</p>
<p>Federal Deposit Insurance Corporation (FDIC) Consumer Response Center 1100 Walnut Street, Box #11 Kansas City, MO 64106</p>	<p>Federally insured state-chartered banks that are not members of the Federal Reserve System</p>	<p>(877) ASK-FDIC or (877) 275-3342 fdic.gov fdic.gov/consumers</p>
<p>Federal Housing Finance Agency (FHFA) Consumer Communications Constitution Center 400 7th Street, S.W. Washington, DC 20024</p>	<p>Fannie Mae, Freddie Mac, and the Federal Home Loan Banks</p>	<p>Consumer Helpline (202) 649-3811 fhfa.gov fhfa.gov/Default.aspx?Page=369 ConsumerHelp@fhfa.gov</p>
<p>National Credit Union Administration (NCUA) Consumer Assistance 1775 Duke Street Alexandria, VA 22314</p>	<p>Federally chartered credit unions</p>	<p>(800) 755-1030 ncua.gov mycreditunion.gov</p>
<p>Federal Trade Commission (FTC) Consumer Response Center 600 Pennsylvania Ave, N.W. Washington, DC 20580</p>	<p>Finance companies, retail stores, auto dealers, mortgage companies and other lenders, and credit bureaus</p>	<p>(877) FTC-HELP or (877) 382-4357 ftc.gov ftc.gov/bcp</p>

Regulatory agency	Regulated entities	Contact information
<p>Securities and Exchange Commission (SEC) Complaint Center 100 F Street, N.E. Washington, DC 20549</p>	<p>Brokerage firms, mutual fund companies, and investment advisers</p>	<p>(202) 551-6551 sec.gov sec.gov/complaint/select.shtml</p>
<p>Farm Credit Administration Office of Congressional and Public Affairs 1501 Farm Credit Drive McLean, VA 22102</p>	<p>Agricultural lenders</p>	<p>(703) 883-4056 fca.gov</p>
<p>Small Business Administration (SBA) Consumer Affairs 409 3rd Street, S.W. Washington, DC 20416</p>	<p>Small business lenders</p>	<p>(800) U-ASK-SBA or (800) 827-5722 sba.gov</p>
<p>Commodity Futures Trading Commission (CFTC) 1155 21st Street, N.W. Washington, DC 20581</p>	<p>Commodity brokers, commodity trading advisers, commodity polys, and introducing brokers</p>	<p>(866) 366-2382 cftc.gov/consumer-protection</p>

Regulatory agency	Regulated entities	Contact information
<p>U.S. Department of Justice (DOJ) Civil Rights Division 950 Pennsylvania Ave, N.W. Housing and Civil Enforcement Section Washington DC 20530</p>	<p>Fair lending and housing issues</p>	<p>(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</p>
<p>Department of Housing and Urban Development (HUD) Office of Fair Housing/Equal Opportunity 451 7th Street, S.W. Washington, DC 20410</p>	<p>Fair lending and housing issues</p>	<p>(800) 669-9777 hud.gov/complaints</p>