

ORRSTOWN BANK

SmartLock™ Home Equity Line of Credit Disclosure Packet

Thank you for choosing Orrstown Bank for your financing needs.

This packet contains important information about Orrstown Bank's SmartLock™ Home Equity Line of Credit product. **Please review carefully and retain a copy for your reference.** If for any reason you cannot print the disclosures, please contact us at 1-888-677-7869.

This packet contains the following disclosures for your review:

- Important Terms About Our Home Equity Application Disclosure
- Privacy Notice
- What You Should Know About Home Equity Lines of Credit



Home Equity Application Disclosure

Lender: Orrstown Bank
P O Box 250
Shippensburg, PA 17257

IMPORTANT TERMS OF OUR HOME EQUITY APPLICATION DISCLOSURE

This disclosure contains important information about our PA/WV SmartLock Interest Only Home Equity Line of Credit (the "Plan"). You should read it carefully and keep a copy for your records.

AVAILABILITY OF TERMS. All of the terms of the Plan described herein are subject to change. 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.

SECURITY INTEREST. We will take a security interest in your home. You could lose your home if you do not meet the obligations in your agreement with us.

POSSIBLE ACTIONS. Under this Plan, we have the following rights:

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

- (a) You commit fraud or make a material misrepresentation at any time in connection with the Plan. This can include, for example, a false statement about your income, assets, liabilities, or any other aspect of your financial condition.
- (b) You do not meet the repayment terms of the Plan.
- (c) Your action or inaction adversely affects the collateral for the Plan or our rights in the collateral. This can include, for example, failure to maintain required insurance, waste or destructive use of the dwelling, failure to pay taxes, death of all persons liable on the account, transfer of title or sale of the dwelling, creation of a senior lien on the dwelling without our permission, foreclosure by the holder of another lien or the use of funds or the dwelling for prohibited purposes.

Suspension or Reduction. In addition to any other rights we may have, we can suspend additional extensions of credit or reduce your credit limit during any period in which any of the following are in effect:

- (a) The value of your dwelling declines significantly below the dwelling's appraised value for purposes of the Plan. This includes, for example, a decline such that the initial difference between the credit limit and the available equity is reduced by fifty percent and may include a smaller decline depending on the individual circumstances.
- (b) We reasonably believe that you will be unable to fulfill your payment obligations under the Plan due to a material change in your financial circumstances.
- (c) You are in default under any material obligation of the Plan. We consider all of your obligations to be material. Categories of material obligations include, but are not limited to, the events described above under Termination and Acceleration, obligations to pay fees and charges, obligations and limitations on the receipt of credit advances, obligations concerning maintenance or use of the dwelling or proceeds, obligations to pay and perform the terms of any other deed of trust, mortgage or lease of the dwelling, obligations to notify us and to provide documents or information to us (such as updated financial information), obligations to comply with applicable laws (such as zoning restrictions).
- (d) We are precluded by government action from imposing the annual percentage rate provided for under the Plan.
- (e) The priority of our security interest is adversely affected by government action to the extent that the value of the security interest is less than 120 percent of the credit limit.
- (f) We have been notified by governmental authority that continued advances may constitute an unsafe and unsound business practice.
- (g) The maximum annual percentage rate under the Plan is reached.

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

Fees and Charges. In order to open and maintain an account, you must pay certain fees and charges.

Lender Fees. The following fees must be paid to us:

Description	Amount	When Charged
Loan Administration Fee:	\$300.00	At Account Opening if the loan-to-value exceeds 80%
NSF Handling Fee:	\$39.00	At the time a payment is returned to us for non-sufficient funds
Stop Payment Fee:	\$37.00	At the time you request a Stop Payment
Overlimit Charge:	\$35.00	At the time your Credit Line balance exceeds your credit limit
Advance Less Than Minimum Charge:	\$35.00	At the time of an advance below the required minimum amount
Charge for More Transactions Than Allowed:	\$35.00	When you exceed the maximum number of transactions allowed
Check Printing Charge:	\$10.00	Per Order, At the time you order Credit Line Checks
Photocopying Charge	\$2.00	Per Copy, At the time of your request
SmartLock: Rate Lock Fee	\$50.00	Fee to lock in fixed rate conversion feature during draw period
SmartLock: Rate Unlock Fee	\$75.00	Fee to unlock fixed rate conversion feature during draw period
SmartLock: Recapture Fee	\$250.00	When you close the Credit Line with a limit greater than \$12,500.00 within 24 months of the Opening Date



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Late Charge. Your payment will be late if it is not received by us within **16 days after the "Payment Due Date" shown on your periodic statement.** If your payment is late we may charge you 10.000% of the payment or \$20.00, whichever is greater.

Third Party Fees. If you are purchasing a property that will also secure the Credit Line, you must pay certain fees to third parties such as appraisers, credit reporting firms, and government agencies. These third party fees generally total between \$300.00 and \$4,580.00 (for a Credit Line amount of \$100,000.00). Upon request, we will provide you with an itemization of the fees you have to pay to third parties.

PROPERTY INSURANCE. You must carry insurance on the property that secures the Plan.

MINIMUM PAYMENT REQUIREMENTS. You can obtain advances of credit during the following period: for a period of ten years from the Opening Date. You may however begin the amortization period sooner than ten years, which would discontinue your draw period at that time (the "Draw Period"). After the Draw Period ends, the repayment period will begin. You will no longer be able to obtain credit advances. The length of the repayment period is as follows: for a period of twenty years. Your Regular Payment will equal the amount of your accrued FINANCE CHARGES ("First Payment Stream"). You will make 120 of these payments. Your payments will be due monthly. Your "Minimum Payment" will be the Regular Payment, plus any amount past due and all other charges. An increase in the ANNUAL PERCENTAGE RATE may increase the amount of your Regular Payment. The Minimum Payment during the First Payment Stream will not reduce the principal that is outstanding on your Credit Line.

After completion of the First Payment Stream, your Regular Payment will be based on an amortization of your balance at the start of this payment period as shown below ("Second Payment Stream"). Your payments will be due monthly.

<u>Range of Balances</u>	<u>Number of Payments</u>	<u>Regular Payment Calculation</u>
All Balances	240	240 payments

Your "Minimum Payment" will be the Regular Payment, plus any amount past due and all other charges.

A change in the ANNUAL PERCENTAGE RATE can cause the balance to be repaid more quickly or more slowly. When rates decrease, less interest is due, so more of the payment repays the principal balance. When rates increase, more interest is due, so less of the payment repays the principal balance. If this happens, we may adjust your payment as follows: your payment may be increased by the amount necessary to repay the balance by the end of this payment stream. Each time the ANNUAL PERCENTAGE RATE changes, we will review the effect the change has on your Credit Line Account to see if your payment is sufficient to pay the balance by the Maturity Date. If it is not, your payment will be increased by an amount necessary to repay the balance by the Maturity Date.

MINIMUM PAYMENT EXAMPLE.

Loan-to-Value 80% or Less: If you made only the minimum payment and took no other credit advances, it would take 30 years to pay off a credit advance of \$10,000.00 at an ANNUAL PERCENTAGE RATE of 8.25%. During that period, you would make 120 monthly payments ranging from \$63.29 to \$70.07. Then you would make 240 monthly payments ranging from \$82.65 to \$85.23. We have used this rate of 8.25% recently on Credit Lines less than \$100,000.00.

Loan-to-Value Exceeds 80%: If you made only the minimum payment and took no other credit advances, it would take 30 years to pay off a credit advance of \$10,000.00 at an ANNUAL PERCENTAGE RATE of 9.50%. During that period, you would make 120 monthly payments ranging from \$72.88 to \$80.68. Then you would make 240 monthly payments ranging from \$89.63 to \$93.24.

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

Credit Line Credit Line Check Limitations. The following transaction limitations will apply to your Credit Line and the writing of Credit Line Checks.

Maximum Number of Advances Per Period. The maximum number of advances that you may obtain per month is 10.

Minimum Advance Amount. The minimum amount of any credit advance that can be made on your Credit Line is \$100.00. This means any Credit Line Check must be written for at least the minimum advance amount.

Telephone Request Limitations. The following transaction limitations will apply to your Credit Line and requesting an advance by telephone.

Maximum Number of Advances Per Period. The maximum number of advances that you may obtain per month is 10.

Minimum Advance Amount. The minimum amount of any credit advance that can be made on your Credit Line is \$100.00.

Overdraft Limitations. The following transaction limitations will apply to your Credit Line and writing a check in excess of your checking account balance.

Maximum Number of Advances Per Period. The maximum number of advances that you may obtain per month is 20.

Minimum Advance Amount. The minimum amount of any credit advance that can be made on your Credit Line is \$50.00.

Other Transaction Requirements. If the credit line balance is less than \$50.00, and the overdraft is less than \$50.00, the amount of the overdraft will be taken.

In Person Request Limitations. The following transaction limitations will apply to your Credit Line and requesting an advance in person.

Maximum Number of Advances Per Period. The maximum number of advances that you may obtain per month is 10.

Minimum Advance Amount. The minimum amount of any credit advance that can be made on your Credit Line is \$100.00.

Internet Banking Limitations. The following transaction limitations will apply to your Credit Line and accessing by other methods.

Maximum Number of Advances Per Period. The maximum number of advances that you may obtain per month is 10.

Minimum Advance Amount. The minimum amount of any credit advance that can be made on your Credit Line is \$100.00.



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CONVERSION OPTION. This agreement contains an option to convert a portion or all of the balance under your Credit Line from a variable ANNUAL PERCENTAGE RATE to a fixed ANNUAL PERCENTAGE RATE as determined below. Each portion of the balance under your Credit Line you convert to a fixed ANNUAL PERCENTAGE RATE is referred to as a "Fixed-Rate Advance." The following information describes the terms and features of the conversion option available under this Agreement:

ANNUAL PERCENTAGE RATE Increase. Your ANNUAL PERCENTAGE RATE may increase if you exercise this option to convert to a fixed rate.

Conversion Periods. You can exercise the option to convert to a fixed rate only during the following period or periods: You can exercise the option to convert to a fixed ANNUAL PERCENTAGE RATE at any time during the Draw Period, and any extension of the Draw Period. After the Draw Period ends, or if you do not meet the repayment terms of this credit agreement, you will not be able to exercise the option to convert to a fixed ANNUAL PERCENTAGE RATE.

Conversion Fees. You will be required to pay the following fees at the time of the conversion to a fixed rate: a rate lock fee of \$50.00 each time you exercise the option to convert to a fixed ANNUAL PERCENTAGE RATE. This is a FINANCE CHARGE. You will be required to pay a rate unlock fee of \$75.00 each time you exercise the option to convert to a variable ANNUAL PERCENTAGE RATE. This is a FINANCE CHARGE.

Rate Determination: The fixed rate will be determined as follows: The fixed rate will be based on certain credit criteria and length of the fixed rate term, in conjunction with our published rates for a closed-end home equity loan at the time of the conversion request.

Conversion Rules. You can convert to a fixed rate only during the period or periods described above. In addition, the following rules apply to the conversion option under this agreement: You can exercise the option to convert to a fixed ANNUAL PERCENTAGE RATE only during the period or periods described above. The minimum fixed rate advance is \$5,000.00.

- (a) Minimum and maximum term. If you exercise the option to convert to a fixed ANNUAL PERCENTAGE RATE, the term of the Fixed-Rate Advance cannot be less than twelve (12) months or longer than two hundred and forty (240) months.
- (b) Number of Fixed-Rate Advances. You can exercise the option to convert to a fixed ANNUAL PERCENTAGE RATE from time to time, but you may not have more than five (5) different Fixed Rate Advances outstanding under your Credit Line Account at any one time.
- (c) Ineligible for Promotional Rates. In determining your interest rate and ANNUAL PERCENTAGE RATE as described in the Rate Determination paragraph above, our published closed-end home equity loan interest rates and ANNUAL PERCENTAGE RATE will not include any special, promotion or coupon interest rates and interest rates available only for newly opened accounts. If we offer a discounted interest rate and ANNUAL PERCENTAGE RATE for agreeing to make payments through automatic deduction from a checking account maintained with us, that discounted rate will be considered the published rate for purposes of the Rate Determination paragraph above, only if you have agreed to have payments under your Credit Line Account automatically deducted from a checking account you maintain with us.
- (d) Complete Election Form. In order to exercise the option to convert to a fixed ANNUAL PERCENTAGE RATE, you must complete the SmartLock Rate Lock Request Form.
- (e) Minimum Monthly Payments. At the time you exercise the option to convert to a fixed ANNUAL PERCENTAGE RATE, we will determine a minimum monthly payment applicable to that Fixed-Rate Advance. The minimum monthly payment will include both principal and interest and will be sufficient to repay the Fixed Rate Advance in equal monthly installments of principal and interest over the term of the Fixed Rate Advance. The minimum monthly payment with respect to a Fixed-Rate Advance will not be less than \$50.00. If you have more than one Fixed-Rate Advance outstanding, you will have to make minimum monthly payments with respect to each Fixed Rate Advance. The minimum monthly payments due with respect to Fixed Rate Advances will be in addition to the Minimum Payment due with respect to any balance under your Credit Line subject to a variable ANNUAL PERCENTAGE RATE.
- (f) How Payments Are Applied If You Have A Fixed-Rate Advance Outstanding. Separate billing will be provided for each Fixed-Rate Advance. Payments include principal and interest. Unless otherwise agreed or required by applicable law, payments will be applied first to any accrued unpaid interest; then to principal; then to any late charges; and then to any unpaid collection costs. In the event you make a payment in excess of the amount necessary to pay all of these amounts, the excess will be first applied to reduce any principal outstanding. Any prepayments of principal will not reduce the amount of, or extend the due date for, any future minimum monthly payments.
- (g) Unlock Requirement. The fixed rate portion must be in effect for a minimum of 365 days before you can exercise your option to convert the fixed rate portion into a variable rate. You will need to execute the SmartLock Rate Unlock Request Form to convert back to a variable rate feature after the 365 day fixed rate period, if desired.



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

ADDITIONAL HOME EQUITY PROGRAMS. Please ask us about our other available Home Equity Line of Credit plans.

VARIABLE RATE FEATURE. The Plan has a variable rate feature. The ANNUAL PERCENTAGE RATE (corresponding to the periodic rate), and the minimum payment amount can change as a result. The ANNUAL PERCENTAGE RATE does not include costs other than interest.

THE INDEX. The annual percentage rate is based on the value of an index (referred to in this disclosure as the "Index"). The Index is the Wall Street Prime. Information about the Index is available or published in the Wall Street Journal. 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 an 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 Periodic Rate that will apply to your First Payment Stream, we add a margin to the value of the Index, round that sum up to the nearest 0.125%, then divide the rounded value by the number of days in a year (daily). To obtain the ANNUAL PERCENTAGE RATE we multiply the Periodic Rate by the number of days in a year (daily). This result is the ANNUAL PERCENTAGE RATE for your First Payment Stream. To determine the Periodic Rate that will apply to your Second Payment Stream, we add a margin to the value of the Index, round that sum up to the nearest 0.125%, then divide the rounded value by the number of days in a year (daily). To obtain the ANNUAL PERCENTAGE RATE we multiply the Periodic Rate by the number of days in a year (daily). This result is the ANNUAL PERCENTAGE RATE for your Second Payment Stream. A change in the Index rate generally will result in a change in the ANNUAL PERCENTAGE RATE. The amount that your ANNUAL PERCENTAGE RATE may change also may be affected by the lifetime annual percentage rate limits, as discussed below.

Initial Annual Percentage Rate Discount. The initial annual percentage rate is "discounted" – it is not based on the Index and margin used for later rate adjustments. The initial discounted rate will be in effect for six (6) months. The interest rate of 2.99% will be calculated and in effect for 6 months from the original date of the Credit Agreement and Disclosure. Offer valid ONLY on new SmartLock customers. Additional credit score and loan-to-value restrictions may apply which may impact the initial annual percentage rate.

Please ask us for the current Index value, margin, discount and annual percentage rate. After you open a credit line, rate information will be provided on periodic statements that we send to you.

PREFERRED VARIABLE RATE. The ANNUAL PERCENTAGE RATE under the Plan includes a preferred variable rate which is subject to the following rules and provisions:

Description of Event That Would Cause Lender to Increase the ANNUAL PERCENTAGE RATE. Automatic drafting of payment from an Orrstown Bank checking or savings account is discontinued.

How The New Rate Will Be Determined. As determined above, the ANNUAL PERCENTAGE RATE under this Plan is variable based on the Index value plus a margin. Should the event described above occur, the ANNUAL PERCENTAGE RATE will be increased as follows: by adding 0.75% to the current rate.

FREQUENCY OF ANNUAL PERCENTAGE RATE ADJUSTMENTS. Your ANNUAL PERCENTAGE RATE can change quarterly. There is no limit on the amount by which the annual percentage rate can change during any one year period. However, under no circumstances will your ANNUAL PERCENTAGE RATE exceed 18.000% per annum or, except for any initial discount period, go below 3.250% per annum at any time during the term of the Plan.

MAXIMUM RATE AND PAYMENT EXAMPLE.

Draw Period. If you had an outstanding balance of \$10,000.00, the minimum payment at the maximum ANNUAL PERCENTAGE RATE of 18.000% would be \$152.88. This ANNUAL PERCENTAGE RATE could be reached at the time of the 1st payment.

Repayment Period. If you had an outstanding balance of \$10,000.00, the minimum payment at the maximum ANNUAL PERCENTAGE RATE of 18.000% would be \$154.36. This ANNUAL PERCENTAGE RATE could be reached at the time of the 1st payment during the repayment period.

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

HISTORICAL EXAMPLE. The examples below show 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 from 2010 to 2024. The Index values are from the following reference period: as of 1st week ending in July. While only one payment per year is shown, payments may have varied during each year. Different outstanding principal balances could result in different payment amounts.

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



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INDEX TABLE			Loan-to-Value 80% or Less			Loan-to-Value Exceeds 80%		
	Year (as of 1st week ending in July)	Index (Percent)	Margin (1) (Percent)	ANNUAL PERCENTAGE RATE (APR)	Monthly Payment (Dollars)	Margin (1) (Percent)	ANNUAL PERCENTAGE RATE (APR)	Monthly Payment (Dollars)
Draw Period	2010	3.250	-0.250	4.350 (7)	36.95	1.000	4.250	36.10
	2011	3.250	-0.250	3.250 (8)	27.60	1.000	4.250	36.10
	2012	3.250	-0.250	3.250 (8)	27.60	1.000	4.250	36.10
	2013	3.250	-0.250	3.250 (8)	27.60	1.000	4.250	36.10
	2014	3.250	-0.250	3.250 (8)	27.60	1.000	4.250	36.10
	2015	3.250	-0.250	3.250 (8)	27.60	1.000	4.250	36.10
	2016	3.500	-0.250	3.250	27.60	1.000	4.500	38.22
	2017	4.250	-0.250	4.000	33.97	1.000	5.250	44.59
	2018	5.000	-0.250	4.750	40.34	1.000	6.000	50.96
	2019	5.500	-0.250	5.250	44.59	1.000	6.500	55.21
Repayment Period	2020	3.250	-0.250	3.250 (8)	56.73	1.000	4.250	61.93
	2021	3.250	-0.250	3.250 (8)	56.73	1.000	4.250	61.93
	2022	4.750	-0.250	4.500	62.68	1.000	5.750	69.50
	2023	8.250	-0.250	8.000	80.18	1.000	9.250	88.02
	2024	8.500	-0.250	8.250	81.45	1.000	9.500	89.36

(1) This is a margin we have used recently; your margin may be different.
 (7) This ANNUAL PERCENTAGE RATE reflects a discount that we have provided recently; your Plan may be discounted by a different amount.
 (8) This A.P.R. reflects a 3.250 percent floor.
 LASER PRO Lending, Ver. 18.1.0 Copr. Harland Financial Solutions, Inc. 1997, 2013. All Rights Reserved. - PA c:\CFILPL\B11.FC PR-271 (M)



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IMPORTANT TERMS OF OUR HOME EQUITY APPLICATION DISCLOSURE

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AVAILABILITY OF TERMS. All of the terms of the Plan described herein are subject to change. 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.

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- (a) You commit fraud or make a material misrepresentation at any time in connection with the Plan. This can include, for example, a false statement about your income, assets, liabilities, or any other aspect of your financial condition.
- (b) You do not meet the repayment terms of the Plan.
- (c) Your action or inaction adversely affects the collateral for the Plan or our rights in the collateral. This can include, for example, failure to maintain required insurance, waste or destructive use of the dwelling, failure to pay taxes, death of all persons liable on the account, transfer of title or sale of the dwelling, creation of a senior lien on the dwelling without our permission, foreclosure by the holder of another lien or the use of funds or the dwelling for prohibited purposes.

Suspension or Reduction. In addition to any other rights we may have, we can suspend additional extensions of credit or reduce your credit limit during any period in which any of the following are in effect:

- (a) The value of your dwelling declines significantly below the dwelling's appraised value for purposes of the Plan. This includes, for example, a decline such that the initial difference between the credit limit and the available equity is reduced by fifty percent and may include a smaller decline depending on the individual circumstances.
- (b) We reasonably believe that you will be unable to fulfill your payment obligations under the Plan due to a material change in your financial circumstances.
- (c) You are in default under any material obligation of the Plan. We consider all of your obligations to be material. Categories of material obligations include, but are not limited to, the events described above under Termination and Acceleration, obligations to pay fees and charges, obligations and limitations on the receipt of credit advances, obligations concerning maintenance or use of the dwelling or proceeds, obligations to pay and perform the terms of any other deed of trust, mortgage or lease of the dwelling, obligations to notify us and to provide documents or information to us (such as updated financial information), obligations to comply with applicable laws (such as zoning restrictions).
- (d) We are precluded by government action from imposing the annual percentage rate provided for under the Plan.
- (e) The priority of our security interest is adversely affected by government action to the extent that the value of the security interest is less than 120 percent of the credit limit.
- (f) We have been notified by governmental authority that continued advances may constitute an unsafe and unsound business practice.
- (g) The maximum annual percentage rate under the Plan is reached.

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

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Stop Payment Fee:	\$37.00	At the time you request a Stop Payment
Over limit Charge:	\$35.00	At the time your Credit Line balance exceeds your credit limit
Charge for More Transactions Than Allowed:	\$35.00	When you exceed the maximum number of transactions allowed
Check Printing Charge:	\$10.00	Per Order, At the time you order Credit Line Checks
SmartLock: Rate Lock Fee	\$50.00	Fee to lock in fixed rate conversion feature during draw period
SmartLock: Rate Unlock Fee	\$75.00	Fee to unlock fixed rate conversion feature during draw period



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Recapture Fee: If you elect or request to terminate or close the Credit Line within twenty-four (24) months of the Opening Date, you may be required to remit any closing costs Orrstown Bank paid on your behalf, including but not limited to recordation taxes.

Late Charge. Your payment will be late if it is not received by us within **16 days after the "Payment Due Date" shown on your periodic statement.** If your payment is late we may charge you 10.000% of the payment or \$5.00, whichever is greater.

Third Party Fees. If you are purchasing a property that will also secure the Credit Line, you must pay certain fees to third parties such as appraisers, credit reporting firms, and government agencies. These third party fees generally total between \$300.00 and \$4,580.00 (for a Credit Line amount of \$100,000.00). Upon request, we will provide you with an itemization of the fees you have to pay to third parties.

PROPERTY INSURANCE. You must carry insurance on the property that secures the Plan.

MINIMUM PAYMENT REQUIREMENTS. You can obtain advances of credit during the following period: for a period of ten years from the Opening Date. You may however begin the amortization period sooner than ten years, which would discontinue your draw period at that time (the "Draw Period"). After the Draw Period ends, the repayment period will begin. You will no longer be able to obtain credit advances. The length of the repayment period is as follows: for a period of twenty years. Your Regular Payment will equal the amount of your accrued FINANCE CHARGES ("First Payment Stream"). You will make 120 of these payments. Your payments will be due monthly. Your "Minimum Payment" will be the Regular Payment, plus any amount past due and all other charges. An increase in the ANNUAL PERCENTAGE RATE may increase the amount of your Regular Payment. The Minimum Payment during the First Payment Stream will not reduce the principal that is outstanding on your Credit Line.

After completion of the First Payment Stream, your Regular Payment will be based on an amortization of your balance at the start of this payment period as shown below ("Second Payment Stream"). Your payments will be due monthly.

<u>Range of Balances</u>	<u>Number of Payments</u>	<u>Regular Payment Calculation</u>
All Balances	240	240 payments

Your "Minimum Payment" will be the Regular Payment, plus any amount past due and all other charges.

A change in the ANNUAL PERCENTAGE RATE can cause the balance to be repaid more quickly or more slowly. When rates decrease, less interest is due, so more of the payment repays the principal balance. When rates increase, more interest is due, so less of the payment repays the principal balance. If this happens, we may adjust your payment as follows: your payment may be increased by the amount necessary to repay the balance by the end of this payment stream. Each time the ANNUAL PERCENTAGE RATE changes, we will review the effect the change has on your Credit Line Account to see if your payment is sufficient to pay the balance by the Maturity Date. If it is not, your payment will be increased by an amount necessary to repay the balance by the Maturity Date.

MINIMUM PAYMENT EXAMPLE.

Loan-to-Value 80% or Less: If you made only the minimum payment and took no other credit advances, it would take 30 years to pay off a credit advance of \$10,000.00 at an ANNUAL PERCENTAGE RATE of 8.50%. During that period, you would make 120 monthly payments ranging from \$65.21 to \$72.19. Then you would make 240 monthly payments ranging from \$86.80 to 88.25. We have used this rate of 8.50% recently on Credit Lines less than \$100,000.00.

Loan-to-Value Exceeds 80%: If you made only the minimum payment and took no other credit advances, it would take 30 years to pay off a credit advance of \$10,000.00 at an ANNUAL PERCENTAGE RATE of 9.75%. During that period, you would make 120 monthly payments ranging from \$74.79 to \$82.81. Then you would make 240 monthly payments ranging from \$94.87 to \$97.87.

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

Credit Line Credit Line Check Limitations. The following transaction limitations will apply to your Credit Line and the writing of Credit Line Checks.

Maximum Number of Advances Per Period. The maximum number of advances that you may obtain per month is 10.

Minimum Advance Amount. The minimum amount of any credit advance that can be made on your Credit Line is \$100.00. This means any Credit Line Check must be written for at least the minimum advance amount.

Telephone Request Limitations. The following transaction limitations will apply to your Credit Line and requesting an advance by telephone.

Maximum Number of Advances Per Period. The maximum number of advances that you may obtain per month is 10.

Minimum Advance Amount. The minimum amount of any credit advance that can be made on your Credit Line is \$100.00.

Overdraft Limitations. The following transaction limitations will apply to your Credit Line and writing a check in excess of your checking account balance.

Maximum Number of Advances Per Period. The maximum number of advances that you may obtain per month is 20.

Minimum Advance Amount. The minimum amount of any credit advance that can be made on your Credit Line is \$50.00.

Other Transaction Requirements. If the credit line balance is less than \$50.00, and the overdraft is less than \$50.00, the amount of the overdraft will be taken.

In Person Request Limitations. The following transaction limitations will apply to your Credit Line and requesting an advance in person.

Maximum Number of Advances Per Period. The maximum number of advances that you may obtain per month is 10.

Minimum Advance Amount. The minimum amount of any credit advance that can be made on your Credit Line is \$100.00.

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Internet Banking Limitations. The following transaction limitations will apply to your Credit Line and accessing by other methods.

Maximum Number of Advances Per Period. The maximum number of advances that you may obtain per month is 10.

Minimum Advance Amount. The minimum amount of any credit advance that can be made on your Credit Line is \$100.00.

CONVERSION OPTION. This agreement contains an option to convert a portion or all of the balance under your Credit Line from a variable ANNUAL PERCENTAGE RATE to a fixed ANNUAL PERCENTAGE RATE as determined below. Each portion of the balance under your Credit Line you convert to a fixed ANNUAL PERCENTAGE RATE is referred to as a "Fixed-Rate Advance." The following information describes the terms and features of the conversion option available under this Agreement:

ANNUAL PERCENTAGE RATE Increase. Your ANNUAL PERCENTAGE RATE may increase if you exercise this option to convert to a fixed rate.

Conversion Periods. You can exercise the option to convert to a fixed rate only during the following period or periods: You can exercise the option to convert to a fixed ANNUAL PERCENTAGE RATE at any time during the Draw Period, and any extension of the Draw Period. After the Draw Period ends, or if you do not meet the repayment terms of this credit agreement, you will not be able to exercise the option to convert to a fixed ANNUAL PERCENTAGE RATE.

Conversion Fees. You will be required to pay the following fees at the time of the conversion to a fixed rate: a rate lock fee of \$50.00 each time you exercise the option to convert to a fixed ANNUAL PERCENTAGE RATE. This is a FINANCE CHARGE. You will be required to pay a rate unlock fee of \$75.00 each time you exercise the option to convert to a variable ANNUAL PERCENTAGE RATE. This is a FINANCE CHARGE.

Rate Determination: The fixed rate will be determined as follows: The fixed rate will be based on certain credit criteria and length of the fixed rate term, in conjunction with our published rates for a closed-end home equity loan at the time of the conversion request.

Conversion Rules. You can convert to a fixed rate only during the period or periods described above. In addition, the following rules apply to the conversion option under this agreement: You can exercise the option to convert to a fixed ANNUAL PERCENTAGE RATE only during the period or periods described above. The minimum fixed rate advance is \$5,000.00.

- (a) Minimum and maximum term. If you exercise the option to convert to a fixed ANNUAL PERCENTAGE RATE, the term of the Fixed-Rate Advance cannot be less than twelve (12) months or longer than two hundred and forty (240) months.
- (b) Number of Fixed-Rate Advances. You can exercise the option to convert to a fixed ANNUAL PERCENTAGE RATE from time to time, but you may not have more than five (5) different Fixed Rate Advances outstanding under your Credit Line Account at any one time.
- (c) Ineligible for Promotional Rates. In determining your interest rate and ANNUAL PERCENTAGE RATE as described in the Rate Determination paragraph above, our published closed-end home equity loan interest rates and ANNUAL PERCENTAGE RATE will not include any special, promotion or coupon interest rates and interest rates available only for newly opened accounts. If we offer a discounted interest rate and ANNUAL PERCENTAGE RATE for agreeing to make payments through automatic deduction from a checking account maintained with us, that discounted rate will be considered the published rate for purposes of the Rate Determination paragraph above, only if you have agreed to have payments under your Credit Line Account automatically deducted from a checking account you maintain with us.
- (d) Complete Election Form. In order to exercise the option to convert to a fixed ANNUAL PERCENTAGE RATE, you must complete the SmartLock Rate Lock Request Form.
- (e) Minimum Monthly Payments. At the time you exercise the option to convert to a fixed ANNUAL PERCENTAGE RATE, we will determine a minimum monthly payment applicable to that Fixed-Rate Advance. The minimum monthly payment will include both principal and interest and will be sufficient to repay the Fixed Rate Advance in equal monthly installments of principal and interest over the term of the Fixed Rate Advance. The minimum monthly payment with respect to a Fixed-Rate Advance will not be less than \$50.00. If you have more than one Fixed-Rate Advance outstanding, you will have to make minimum monthly payments with respect to each Fixed Rate Advance. The minimum monthly payments due with respect to Fixed Rate Advances will be in addition to the Minimum Payment due with respect to any balance under your Credit Line subject to a variable ANNUAL PERCENTAGE RATE.
- (f) How Payments Are Applied If You Have A Fixed-Rate Advance Outstanding. Separate billing will be provided for each Fixed-Rate Advance. Payments include principal and interest. Unless otherwise agreed or required by applicable law, payments will be applied first to any accrued unpaid interest; then to principal; then to any late charges; and then to any unpaid collection costs. In the event you make a payment in excess of the amount necessary to pay all of these amounts, the excess will be first applied to reduce any principal outstanding. Any prepayments of principal will not reduce the amount of, or extend the due date for, any future minimum monthly payments.
- (g) Unlock Requirement. The fixed rate portion must be in effect for a minimum of 365 days before you can exercise your option to convert the fixed rate portion into a variable rate. You will need to execute the SmartLock Rate Unlock Request Form to convert back to a variable rate feature after the 365 day fixed rate period, if desired.



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

ADDITIONAL HOME EQUITY PROGRAMS. Please ask us about our other available Home Equity Line of Credit plans.

VARIABLE RATE FEATURE. The Plan has a variable rate feature. The ANNUAL PERCENTAGE RATE (corresponding to the periodic rate), and the minimum payment amount can change as a result. The ANNUAL PERCENTAGE RATE does not include costs other than interest.

THE INDEX. The annual percentage rate is based on the value of an index (referred to in this disclosure as the "Index"). The Index is the Wall Street Prime. Information about the Index is available or published in the Wall Street Journal. 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 an 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 Periodic Rate that will apply to your First Payment Stream, we add a margin to the value of the Index, round that sum up to the nearest 0.125%, then divide the rounded value by the number of days in a year (daily). To obtain the ANNUAL PERCENTAGE RATE we multiply the Periodic Rate by the number of days in a year (daily). This result is the ANNUAL PERCENTAGE RATE for your First Payment Stream. To determine the Periodic Rate that will apply to your Second Payment Stream, we add a margin to the value of the Index, round that sum up to the nearest 0.125%, then divide the rounded value by the number of days in a year (daily). To obtain the ANNUAL PERCENTAGE RATE we multiply the Periodic Rate by the number of days in a year (daily). This result is the ANNUAL PERCENTAGE RATE for your Second Payment Stream. A change in the Index rate generally will result in a change in the ANNUAL PERCENTAGE RATE. The amount that your ANNUAL PERCENTAGE RATE may change also may be affected by the lifetime annual percentage rate limits, as discussed below.

Initial ANNUAL PERCENTAGE RATE Discount. The initial ANNUAL PERCENTAGE RATE is "discounted" – it is not based on the Index and margin used for later rate adjustments. The initial discounted rate will be in effect for six (6) months. The interest rate of 2.99% will be calculated and in effect for 6 months from the original date of the Credit Agreement and Disclosure. Offer valid ONLY on new SmartLock customers. Additional credit score and loan-to-value restrictions may apply which may impact the initial annual percentage rate.

Please ask us for the current Index value, margin, discount and annual percentage rate. After you open a credit line, rate information will be provided on periodic statements that we send to you.

PREFERRED VARIABLE RATE. The ANNUAL PERCENTAGE RATE under the Plan may include a preferred variable rate which is subject to the following rules and provisions:

Description of Event That Would Cause Lender to Increase the ANNUAL PERCENTAGE RATE. Automatic drafting of payment from an Orrstown Bank checking or savings account is discontinued.

How The New Rate Will Be Determined. As determined above, the ANNUAL PERCENTAGE RATE under this Plan is variable based on the Index value plus a margin. Should the event described above occur, the ANNUAL PERCENTAGE RATE will be increased as follows: by adding 0.75% to the current rate.

FREQUENCY OF ANNUAL PERCENTAGE RATE ADJUSTMENTS. Your ANNUAL PERCENTAGE RATE can change quarterly. There is no limit on the amount by which the annual percentage rate can change during any one year period. However, under no circumstances will your ANNUAL PERCENTAGE RATE exceed 18.000% per annum or, except for any initial discount period, go below 3.250% per annum at any time during the term of the Plan.

MAXIMUM RATE AND PAYMENT EXAMPLE.

Draw Period. If you had an outstanding balance of \$10,000.00, the minimum payment at the maximum ANNUAL PERCENTAGE RATE of 18.000% would be \$152.88. This ANNUAL PERCENTAGE RATE could be reached at the time of the 1st payment.

Repayment Period. If you had an outstanding balance of \$10,000.00, the minimum payment at the maximum ANNUAL PERCENTAGE RATE of 18.000% would be \$154.36. This ANNUAL PERCENTAGE RATE could be reached at the time of the 1st payment during the repayment period.

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

HISTORICAL EXAMPLE. The examples below show 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 from 2010 to 2024. The Index values are from the following reference period: as of 1st week ending in July. While only one payment per year is shown, payments may have varied during each year. Different outstanding principal balances could result in different payment amounts.

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



Home Equity Application Disclosure

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INDEX TABLE			Loan-to-Value 80% or Less			Loan-to-Value Exceeds 80%		
	Year (as of 1st week ending in July)	Index (Percent)	Margin (1) (Percent)	ANNUAL PERCENTAGE RATE (APR)	Monthly Payment (Dollars)	Margin (1) (Percent)	ANNUAL PERCENTAGE RATE (APR)	Monthly Payment (Dollars)
Draw Period	2010	3.250	0.000	4.350 (7)	36.95	1.250	4.500	38.22
	2011	3.250	0.000	3.250	27.60	1.250	4.500	38.22
	2012	3.250	0.000	3.250	27.60	1.250	4.500	38.22
	2013	3.250	0.000	3.250	27.60	1.250	4.500	38.22
	2014	3.250	0.000	3.250	27.60	1.250	4.500	38.22
	2015	3.250	0.000	3.250	27.60	1.250	4.500	38.22
	2016	3.500	0.000	3.500	29.73	1.250	4.750	40.34
	2017	4.250	0.000	4.250	36.10	1.250	5.500	46.71
	2018	5.000	0.000	5.000	42.47	1.250	6.250	53.08
2019	5.500	0.000	5.500	46.71	1.250	6.750	57.33	
Repayment Period	2020	3.250	0.000	3.250	56.73	1.250	4.500	63.28
	2021	3.250	0.000	3.250	56.73	1.250	4.500	63.28
	2022	4.750	0.000	4.750	63.91	1.250	6.000	70.93
	2023	8.250	0.000	8.250	81.59	1.250	9.500	89.66
	2024	8.500	0.000	8.500	82.88	1.250	9.750	91.02

(1) This is a margin we have used recently; your margin may be different.

(7) This ANNUAL PERCENTAGE RATE reflects a discount that we have provided recently; your Plan may be discounted by a different amount.

LASER PRO Lending, Ver. 17.1.10 Copr. Harland Financial Solutions, Inc. 1997, 2013. All Rights Reserved. - PA c:\CFILPL\B11.FC PR-271 (M)

MF rev. 04/11/25

FACTS**WHAT DOES ORRSTOWN 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 account balances
- Transaction history and credit history
- Account transactions and checking account information

When you are *no longer* our customer, we continue to share your information as described in this notice.

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 Orrstown Bank chooses to share; and whether you can limit this sharing.

Reasons we can share your personal information	Does Orrstown 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	No
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 nonaffiliates to market to you	No	We don't share

Questions?

Call toll-free (888)677-7869 or go to www.orrstown.com

Who we are

Who is providing this notice?	Orrstown Bank
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What we do

How does Orrstown 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.
How does Orrstown Bank collect my personal information?	<p>We collect your personal information, for example, when you</p> <ul style="list-style-type: none"> - open an account or give us your contact information - pay us by check or provide your mortgage information - make a wire transfer <p>We also collect your personal information from others, such as credit bureaus, affiliates, or other companies.</p>
Why can't I limit all sharing?	<p>Federal law gives you the right to limit only</p> <ul style="list-style-type: none"> - 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 <p>State laws and individual companies may give you additional rights to limit sharing. [See below for more on your rights under state law.]</p>

Definitions

Affiliates	<p>Companies related by common ownership or control. They can be financial and nonfinancial companies.</p> <ul style="list-style-type: none"> - <i>Our affiliates include financial companies, such as companies with an Orrstown Financial Services, Inc. name and financial companies such as investment management companies and advisory companies.</i>
Nonaffiliates	<p>Companies not related by common ownership or control. They can be financial and nonfinancial companies.</p> <ul style="list-style-type: none"> - <i>Orrstown Bank does not share with nonaffiliates so they can market to you.</i>
Joint marketing	<p>A formal agreement between nonaffiliated financial companies that together market financial products or services to you.</p> <ul style="list-style-type: none"> - <i>Our joint marketing partner(s) include brokerage companies, a merchant servicing company and a credit card company.</i>

Other important information

Special Notice For California Residents

We will not share personal information with nonaffiliates either for them to market to you or for joint marketing - without your authorization. We will also limit our sharing of personal information about you with our affiliates to comply with all California privacy laws that apply to us.

Special Notice For Vermont Residents

We will not disclose information about your creditworthiness to our affiliates and will not disclose your personal information, financial information, credit report, or health information to nonaffiliated third parties to market to you, other than as permitted by Vermont law, unless you authorize us to make those disclosures.

Special Notice For State Residents

For Alaska, Illinois, Maryland and North Dakota Customers. We will not share personal information with nonaffiliates either for them to market to you or for joint marketing - without your authorization.

For Massachusetts, Mississippi and New Jersey Customers. We will not share personal information from deposit or share relationships with nonaffiliates either for them to market to you or for joint marketing - without your authorization.

International Privacy Statement

Marketing

For European Union residents, we undertake marketing only with your expressive affirmative consent and in compliance with applicable data privacy laws. EU residents will not be added to the marketing lists unless they have already provided express affirmative consent consistent with applicable data protection laws. In general, we do not seek to offer goods and services in the EU, and we do not market to individuals in the EU unless they have expressly requests information about our financial products or services.

EU Data Right to be Forgotten

Individuals in Europe may have certain data subject rights which may be subject to limitations and/or restrictions. These rights may include the right to: (i) request access to and rectification or erasure of their personal data; (ii) obtain restriction of processing or to object to processing of their personal data; and (iii) the right to data portability. If you wish to exercise one of the above mentioned rights, please call us at (888) 677-7869. Individuals in Europe may also have the right to lodge a complaint about the processing of their personal data with their local data protection authority.

Access

In addition to the rights above, Orrstown is committed to providing all individuals with access to their personal data. If you believe that Orrstown may be processing data about you and wish to have access to that information, we can provide you with that data or at least an explanation of why we cannot do so in the particular context, such as if responding to the request would be unreasonably expensive.

Other Privacy Statement

Mobile Banking: Orrstown's consumer mobile banking application may access your device's photos, contacts, and location depending on how the application is used.

Additional information concerning our privacy policies can be found at www.orrstown.com or call (888) 677-7869.

WHAT YOU SHOULD KNOW ABOUT

Home Equity Lines of Credit (HELOC)

Borrowing from the
value of your home



Consumer Financial
Protection Bureau



An official publication of the U.S. government

How to use the booklet

When you and your lender discuss home equity lines of credit, often referred to as HELOCs, you receive a copy of this booklet. It helps you explore and understand your options when borrowing against the equity in your home.

You can find more information from the Consumer Financial Protection Bureau (CFPB) about home loans at cfpb.gov/mortgages. You'll also find other mortgage-related CFPB resources, facts, and tools to help you take control of your borrowing options.

About the CFPB

The CFPB is a 21st century agency that implements and enforces federal consumer financial law and ensures that markets for consumer financial products are fair, transparent, and competitive.

This pamphlet, titled What you should know about home equity lines of credit, was created to comply with federal law pursuant to 15 U.S.C. 1637a(e) and 12 CFR 1026.40(e).

How can this booklet help you?

This booklet can help you decide whether home equity line of credit is the right choice for you, and help you shop for the best available option.

A home equity line of credit (HELOC) is a loan that allows you to borrow, spend, and repay as you go, using your home as collateral.

Typically, you can borrow up to a specified percentage of your equity. Equity is the value of your home minus the amount you owe on your mortgage.

Consider a HELOC if you are confident you can keep up with the loan payments. If you fall behind or can't repay the loan on schedule, you could lose your home.

After you finish this booklet:

- You'll understand the effect of borrowing against your home
- You'll think through your borrowing and financing options, besides a HELOC
- You'll see how to shop for your best HELOC offer
- You'll see what to do if the economy or your situation changes

Compare a HELOC to other money sources

Before you decide to take out a HELOC, it might make sense to consider other options that might be available to you, like the ones below.

TIP

Renting your home out to other people may be prohibited under the terms of your line of credit.

MONEY SOURCE	HOW MUCH CAN YOU BORROW	VARIABLE OR FIXED RATE	IS YOUR HOME AT RISK?	TYPICAL ADVANTAGES	TYPICAL DISADVANTAGES
HELOC <i>You borrow against the equity in your home</i>	Generally a percentage of the appraised value of your home, minus the amount you owe on your mortgage	Variable, typically	Yes	Continue repaying and borrowing for several years without additional approvals or paperwork	Repayment amount varies; repayment is often required when you sell your home
SECOND MORTGAGE OR HOME EQUITY LOAN <i>You borrow against the equity in your home</i>	Generally a percentage of the appraised value of your home, minus the amount you owe on your mortgage	Fixed	Yes	Equal payments that pay off the entire loan	If you need more money, you need to apply for a new loan; repayment is often required when you sell your home
CASH-OUT REFINANCE <i>You replace your existing mortgage with a bigger mortgage and take the difference in cash</i>	Generally a percentage of the appraised value of your home; the amount of your existing loan plus the amount you want to cash out	Variable or fixed	Yes	Continue to make just one mortgage payment	Closing costs are generally higher; it may take longer to pay off your mortgage; interest rate may be higher than your current mortgage
PERSONAL LINE OF CREDIT <i>You borrow based on your credit, without using your home as collateral</i>	Up to your credit limit, as determined by the lender	Variable, typically	No	Continue repaying and borrowing for several years without additional approvals or paperwork	Solid credit is required; you may need to pay the entire amount due once a year; higher interest rate than a loan that uses your home as collateral

Compare a HELOC to other money sources

MONEY SOURCE	HOW MUCH CAN YOU BORROW	VARIABLE OR FIXED RATE	IS YOUR HOME AT RISK?	TYPICAL ADVANTAGES	TYPICAL DISADVANTAGES
<p>RETIREMENT PLAN LOAN <i>You borrow from your retirement savings in a 401(k) or similar plan through your current employer</i></p>	<p>Generally, up to 50% of your vested balance or \$50,000, whichever is less</p>	<p>Fixed</p>	<p>No</p>	<p>Repay through paycheck deductions; paperwork required but no credit check and no impact on your credit score</p>	<p>If you leave or lose your job, repay the whole amount at that time or pay taxes and penalties; spouse may need to consent</p>
<p>HOME EQUITY CONVERSION MORTGAGE (HECM) <i>You must be age 62 or older, and you borrow against the equity in your home</i></p>	<p>Depends on your age, the interest rate on your loan, and the value of your home</p>	<p>Fixed or variable</p>	<p>Yes</p>	<p>You don't make monthly loan payments—instead, you typically repay the loan when you move out, or your survivors repay it after you die</p>	<p>The amount you owe grows over time; you might not have any value left in your home if you want to leave it to your heirs</p>
<p>CREDIT CARD <i>You borrow money from the credit card company and repay as you go</i></p>	<p>Up to the amount of your credit limit, as determined by the credit card company</p>	<p>Fixed or variable</p>	<p>No</p>	<p>No minimum purchase; consumer protections in the case of fraud or lost or stolen card</p>	<p>Higher interest rate than a loan that uses your home as collateral</p>
<p>FRIENDS AND FAMILY <i>You borrow money from someone you are close to</i></p>	<p>Agreed on by the borrower and lender</p>	<p>Variable, fixed or other</p>	<p>No</p>	<p>Reduced waiting time, fees, and paperwork compared to a formal loan</p>	<p>Forgiven loans and unreported or forgiven interest can complicate taxes, especially for large loans; can jeopardize important personal relationships if something goes wrong</p>

How HELOCs work

PREPARE FOR UP-FRONT COSTS

Some lenders waive some or all of the up-front costs for a HELOC. Others may charge fees. For example, you might get charged:

- A fee for a property **appraisal**, which is a formal estimate of the value of your home
- An application fee, which might not be refunded if you are turned down
- Closing costs, including fees for attorneys, title search, mortgage preparation and filing, property and title insurance, and taxes

PULL MONEY FROM YOUR LINE OF CREDIT

Once approved for a HELOC, you can generally spend up to your credit limit whenever you want. When your line of credit is open for spending, you are in the you are in the **borrowing period**, also called the **draw period**. Typically, you use special checks or a credit card to draw on your line. Some plans require you to borrow a minimum amount each time (for example, \$300) or keep a minimum amount outstanding. Some plans require you to take an initial amount when the credit line is set up.

MAKE REPAYMENTS DURING THE “DRAW PERIOD”

Some plans set a minimum monthly payment that includes a portion of the **principal** (the amount you borrow) plus accrued interest. The portion of your payment that goes toward principal typically does not repay the principal by the end of the term. Other plans may allow payment of the interest only, during the draw period, which means that you pay nothing toward the principal.

If your plan has a variable interest rate, your monthly payments may change even if you don't draw more money.

ENTER THE “REPAYMENT PERIOD”

Whatever your payment arrangements during the draw period—whether you pay some, a little, or none of the principal amount of the loan—when the draw period ends you enter a repayment period. Your lender may set a schedule so that you repay the full amount, often over ten or 15 years.

Or, you may have to pay the entire balance owed, all at once, which might be a large amount called a **balloon payment** by refinancing it with the lender, getting a loan from another lender, or some other means. If you are unable to pay the balloon payment in full, you could lose your home.

RENEW OR CLOSE OUT THE LINE OF CREDIT

At the end of the repayment period, your lender might encourage you to leave the line of credit open. This way you don't have to go through the cost and expense of a new loan, if you expect to borrow again. Be sure you understand if annual maintenance fees or other fees apply, even if you are not actively using the credit line.

TIP

If you sell your home, you are generally required to pay off your HELOC in full immediately. If you are likely to sell your home in the near future, consider whether or not to pay the up-front costs of setting up a line of credit.



GET THREE HELOC ESTIMATES

Shopping around lets you compare costs and features, so you can feel confident you're making the best choice for your situation.

		OFFER A	OFFER B	OFFER C
Initiating the HELOC				
Credit limit	\$			
First transaction	\$			
Minimum transaction	\$			
Minimum balance	\$			
Fixed annual percentage rate	%			
Variable annual percentage rate	%			
» Index used and current value				
» Amount of margin				
» Frequency of rate adjustments				
» Amount/length of discount rate (if any)				
» Interest rate cap and floor				
Length of plan				
» Draw period				
» Repayment period				
Initial fees				
» Appraisal fee	\$			
» Application fee	\$			



GET THREE HELOC ESTIMATES

Shopping around lets you compare costs and features, so you can feel confident you're making the best choice for your situation.

		OFFER A	OFFER B	OFFER C
» Up-front charges, including points	\$			
» Early termination fee	\$			
» Closing costs				
During the draw period				
» Interest and principal payments	\$			
» Interest-only payments?	\$			
» Fully amortizing payments	\$			
» Annual fee (if applicable)	\$			
» Transaction fee (if applicable)	\$			
» Inactivity fee	\$			
» Prepayment and other penalty fees	\$			
During the repayment period				
» Penalty for overpayments?				
» Fully amortizing payment amount?				
» Balloon repayment of full balance owed?				
» Renewal available?				
» Refinancing of balance by lender?				
» Conversion to fixed-term loan?				

How variable interest rates work

Home equity lines of credit typically involve variable rather than fixed interest rates.

A variable interest rate generally has two parts: the index and the margin.

An **index** is a measure of interest rates generally that reflects trends in the overall economy. Different lenders use different indexes in their loans. Common indexes include the U.S. prime rate and the Constant Maturity Treasury (CMT) rate. Talk with your lender to find out more about the index they use.

The **margin** is an extra percentage that the lender adds to the index.

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

Rights and responsibilities

Lenders are required to disclose the terms and costs of their home equity lines of credit. They need to tell you:

- Annual percentage rate (APR)
- Information about variable rates
- Payment terms
- Requirements on transactions, such as minimum draw amounts and number of draws allowed per year

- Annual fees
- Miscellaneous charges

You usually get these disclosures when you receive a loan application, and you get additional disclosures before the line of credit is opened. In general, the lender cannot charge a nonrefundable fee as part of your application until three days after you have received the disclosures.

If the lender changes the terms before the loan is made, you can decide not to go forward with it, and the lender must return all fees. There is one exception: the variable interest rate might change, and in that case if you decide not to go ahead with the loan, your fees are not refunded.

Lenders must give you a list of HUD-approved housing counselors in your area. You can talk to counselor about how HELOCs work and get free or low-cost help with budgeting and money management.

Right to cancel (also called right to rescind)

If you change your mind for any reason, under federal law, you can cancel the credit line in the first three days. Notify the lender in writing within the first three days after the account was opened. The lender must then cancel the loan and return the fees you paid, including application and appraisal fees.

TIP

Some HELOCs let you convert some of your balance to a fixed interest rate. The fixed interest rate is typically higher than the variable rate, but it means more predictable payments.

If something changes during the course of the loan

HELOCs generally permit the lender to freeze or reduce your credit line if the value of your home falls or if they see a change for the worse in your financial situation. If this happens, you can:

- **Talk with your lender.** Find out the reason for the freeze or reduction. You might need to check your credit reports for errors that might have caused a downgrade in your credit. Or, you might need to talk with your lender about a new appraisal on your home and make sure the lender agrees to accept a new appraisal as valid.
- **Shop for another line of credit.** If another lender offers you a line of credit, you may be able to use that to pay off your original line of credit. Application fees and other fees may apply for the new loan.



WELL DONE!

For most people, a home is their most valuable asset. A HELOC can help you make the most of this asset, when you understand the ins and outs and know what to expect.

In this booklet:

ASK YOURSELF

Have I considered other sources of money and loans, besides a HELOC?

Have I shopped around for HELOC features and fees?

Am I comfortable with the worst-case scenario, where I could lose my home?

ONLINE TOOLS

CFPB website
cfpb.gov

Answers to common questions
cfpb.gov/askcfpb

Tools and resources for home buyers
cfpb.gov/owning-a-home

Talk to a HUD-approved housing counselor
cfpb.gov/find-a-housing-counselor

Submit a complaint
cfpb.gov/complaint