

(PRESCREENED OFFERS ONLY; PERSONAL CODE: )

<b>TYPE OF LOAN APPLIED FOR</b> ➔	<input type="checkbox"/> HOME EQUITY CREDIT LINE <input type="checkbox"/> HOME EQUITY BRIDGE LINE <input type="checkbox"/> HOME EQUITY LOAN <input type="checkbox"/> HOME EQUITY CREDIT LINE INCREASE	<b>EXISTING LINE OF CREDIT ACCOUNT NUMBER</b> _____	<b>TERM</b> _____	<input type="checkbox"/> INTRO RATE <input type="checkbox"/> BALLOON OPTION <input type="checkbox"/> 1ST LIEN POSITION	<b>DO YOU HAVE A PREMIER CHECKING ACCOUNT?</b> <input type="checkbox"/> NO <input type="checkbox"/> YES	<b>DO YOU HAVE A WEBSTER PERSONAL CHECKING ACCOUNT?</b> <input type="checkbox"/> NO <input type="checkbox"/> YES: ACCOUNT NUMBER: _____	<b>AUTOMATIC PAYMENT</b> <input type="checkbox"/> YES <input type="checkbox"/> NO (WEBSTER CHECKING/LINES AND LOANS)
<b>AMOUNT</b> <input type="checkbox"/> \$ _____ AND/OR <input type="checkbox"/> MAXIMUM AMOUNT I QUALIFY FOR		<b>PURPOSE OF LOAN (CHECK ALL THAT APPLY)</b> <input type="checkbox"/> HOME IMPROVEMENT <input type="checkbox"/> REFINANCE OF REAL ESTATE SECURED LIEN <input type="checkbox"/> DEBT CONSOLIDATION <input type="checkbox"/> OTHER (Please Specify) _____ <input type="checkbox"/> PURCHASE HOME					

## CREDIT APPLICATION

**IMPORTANT: Read these directions before completing this Application.**  
**Please check appropriate box(es).**

- If you are applying for an individual account 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 Borrower Sections only.
- If you are applying for a joint account or an account that you and another person will use, complete all Sections about the co-borrower or user. We intend to apply for joint credit.

ALL BORROWERS MUST INITIAL \_\_\_\_\_  
BORROWER INITIALS                      CO-BORROWER INITIALS

BORROWER				CO-BORROWER							
LEGAL NAME		HOME PHONE (include area code) (    )		LEGAL NAME		HOME PHONE (include area code) (    )					
STREET		CELL PHONE (    )		STREET		CELL PHONE (    )					
CITY		STATE	ZIP	CITY		STATE	ZIP				
SOCIAL SECURITY NUMBER		DATE OF BIRTH		SOCIAL SECURITY NUMBER		DATE OF BIRTH					
U.S. CITIZEN <input type="checkbox"/> YES <input type="checkbox"/> NO	IF NO, ARE YOU A RESIDENT ALIEN? <input type="checkbox"/> YES <input type="checkbox"/> NO	ARE YOU A U.S. CITIZEN RESIDING IN A FOREIGN COUNTRY? <input type="checkbox"/> YES <input type="checkbox"/> NO		U.S. CITIZEN <input type="checkbox"/> YES <input type="checkbox"/> NO	IF NO, ARE YOU A RESIDENT ALIEN? <input type="checkbox"/> YES <input type="checkbox"/> NO	ARE YOU A U.S. CITIZEN RESIDING IN A FOREIGN COUNTRY? <input type="checkbox"/> YES <input type="checkbox"/> NO					
EMAIL ADDRESS			COUNTRY OF CITIZENSHIP	EMAIL ADDRESS			COUNTRY OF CITIZENSHIP				
NAME & ADDRESS OF EMPLOYER				NAME & ADDRESS OF EMPLOYER							
BUSINESS PHONE (    )		DATE OF HIRE (MM/DD/YYYY)		BUSINESS PHONE (    )		DATE OF HIRE (MM/DD/YYYY)					
JOB TITLE/OCCUPATION		TYPE OF BUSINESS		JOB TITLE/OCCUPATION		TYPE OF BUSINESS					
EMPLOYMENT STATUS <input type="checkbox"/> NOT SELF-EMPLOYED <input type="checkbox"/> SELF-EMPLOYED		<input type="checkbox"/> RETIRED <input type="checkbox"/> UNEMPLOYED <input type="checkbox"/> STUDENT <input type="checkbox"/> HOMEMAKER <input type="checkbox"/> OTHER _____		IF SELF-EMPLOYED, ARE YOU INCORPORATED? <input type="checkbox"/> YES <input type="checkbox"/> NO    _____%		EMPLOYMENT STATUS <input type="checkbox"/> NOT SELF-EMPLOYED <input type="checkbox"/> SELF-EMPLOYED		<input type="checkbox"/> RETIRED <input type="checkbox"/> UNEMPLOYED <input type="checkbox"/> STUDENT <input type="checkbox"/> HOMEMAKER <input type="checkbox"/> OTHER _____		IF SELF-EMPLOYED, ARE YOU INCORPORATED? <input type="checkbox"/> YES <input type="checkbox"/> NO    _____%	
NAME & ADDRESS OF NEAREST RELATIVE NOT LIVING WITH YOU				RELATIONSHIP		HOME PHONE					

GROSS MONTHLY INCOME				MONTHLY HOUSING EXPENSE* (You must list these expenses individually)	
ITEM	BORROWER	CO-BORROWER	TOTAL	FIRST MORTGAGE (P & I)	\$
BASE EMPLOYMENT INCOME	\$	\$	\$	HAZARD INSURANCE (HOMEOWNERS)	
OVERTIME				REAL ESTATE TAXES	
COMMISSIONS/BONUSES				MORTGAGE INSURANCE	
DIVIDENDS/INTEREST				HOMEOWNER ASSN. DUES	
RENTAL INCOME				FLOOD INSURANCE	
PENSION				TOTAL MONTHLY PAYMENT	\$
SOCIAL SECURITY				* ALL PRESENT MONTHLY HOUSING EXPENSES OF BORROWER AND CO-BORROWER SHOULD BE LISTED ON A COMBINED BASIS.	
OTHER ↑ (See notice under Describe Other Income below before completing)					
<b>TOTAL</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>		

**DESCRIBE OTHER INCOME**

<input type="checkbox"/> B - BORROWER <input type="checkbox"/> C - CO-BORROWER	<b>NOTICE:</b> ↑ Alimony, child support, or separate maintenance income need not be revealed if the Borrower or Co-Borrower does not choose to have it considered as a basis for repaying this loan.	<b>MONTHLY AMOUNT</b>
		\$

**ASSETS (IF PRESCREENED, THEN N/A)**

Value of liquid assets (Savings, IRA, stocks, 401K, etc.) \$

**I/WE WANT TO PAY OFF THE FOLLOWING DEBTS**

<input type="checkbox"/> B = BORROWER <input type="checkbox"/> C = CO-BORROWER <input type="checkbox"/> J = JOINT	
B / C / J    CREDITOR'S NAME	AMOUNT

**SCHEDULE OF REAL ESTATE OWNED**

**Please list all properties you own and all mortgages, home equity lines/loans or other mortgages on each property. Attach list if additional space is needed.**

ADDRESS OF PROPERTY	TYPE ↕	MORTGAGE LENDER NAME	MORTGAGE BALANCE	MORTGAGE PAYMENT

♦ TYPES OF PROPERTY: P = PRIMARY RESIDENCE; S = OWNER OCCUPIED 2ND HOME; I = NON-OWNER OCCUPIED INVESTMENT

**PROPERTY TO BE SECURED**

PROPERTY TYPE <input type="checkbox"/> SINGLE FAMILY <input type="checkbox"/> 4 FAMILY <input type="checkbox"/> 2 FAMILY <input type="checkbox"/> CONDO <input type="checkbox"/> 3 FAMILY <input type="checkbox"/> PUD	OCCUPANCY TYPE <input type="checkbox"/> OWNER-OCCUPIED <input type="checkbox"/> SECOND HOME <input type="checkbox"/> INVESTMENT	IF CONDO, NAME OF ASSOCIATION PHONE # OF ASSOCIATION # OF FLOORS IN BUILDING	CURRENT MARKET VALUE OF PROPERTY: \$	IS THIS PROPERTY FOR SALE? <input type="checkbox"/> YES <input type="checkbox"/> NO IN LAST 6 MONTHS? <input type="checkbox"/> YES <input type="checkbox"/> NO	STYLE OF HOME (Cape, Colonial) # BEDROOMS # BATHS	PURCHASE PRICE	PURCHASE DATE
PROPERTY TO BE MORTGAGED: STREET ADDRESS		CITY	STATE	ZIP			

LIST THE LEGAL NAMES OF ALL PROPERTY OWNERS ON THE TITLE \_\_\_\_\_

IS TITLE IN A TRUST?  YES  
 TITLE     LLC

IS YOUR PRESENT MORTGAGE WITH A BANK OR MORTGAGE COMPANY? <input type="checkbox"/> YES <input type="checkbox"/> NO	WITH WEBSTER? <input type="checkbox"/> YES <input type="checkbox"/> NO	IF WITH WEBSTER, DID YOU APPLY FOR YOUR PRESENT FIRST MORTGAGE WITHIN THE LAST 4 MONTHS? <input type="checkbox"/> YES <input type="checkbox"/> NO	WHAT LOAN TYPE IS YOUR FIRST MORTGAGE ON THE SUBJECT PROPERTY? <input type="checkbox"/> FIXED <input type="checkbox"/> ARM <input type="checkbox"/> BALLOON	WHAT PAYMENT TYPE IS YOUR FIRST MORTGAGE? <input type="checkbox"/> PRINCIPAL & INTEREST <input type="checkbox"/> INTEREST ONLY WITH PRINCIPAL & INTEREST <input type="checkbox"/> INTEREST ONLY WITH A BALLOON <input type="checkbox"/> BALLOON	DO YOU HAVE ANY MORTGAGE LOANS THAT SECURE THIS PROPERTY WHERE THE PRINCIPAL BALANCE CAN INCREASE OVER THE LIFE OF THE LOAN (NEGATIVE AMORTIZATION)? <input type="checkbox"/> YES <input type="checkbox"/> NO
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HOMEOWNERS INSURANCE: ANNUAL PREMIUM \$ _____ CARRIER NAME _____	AGENT'S NAME _____	AGENT'S PHONE ( ) _____	AGENT'S FAX ( ) _____
FLOOD INSURANCE: ANNUAL PREMIUM \$ _____ CARRIER NAME _____	AGENT'S NAME _____	AGENT'S PHONE ( ) _____	AGENT'S FAX ( ) _____

PROPERTY TAXES: ANNUAL TAXES PAID \$ \_\_\_\_\_

PROPERTY TAXES PAID TO \_\_\_\_\_

**APPLICATION TITLE QUESTIONS**

**PLEASE CHECK "YES" IF YOU HAVE ANY OF THE FOLLOWING ON THE PROPERTY TO SECURE THIS LOAN:**

TYPE OF PROPERTY LIEN	DO YOU HAVE?	AMOUNT OWED	TO BE PAID OFF	NAME OF LIENHOLDER/ACCOUNT NUMBER
1ST MORTGAGE	<input type="checkbox"/> YES	\$ _____	<input type="checkbox"/> YES <input type="checkbox"/> NO	
HOME EQUITY LINE/LOAN/2ND MORTGAGE	<input type="checkbox"/> YES	\$ _____	<input type="checkbox"/> YES <input type="checkbox"/> NO	
HOME EQUITY LINE/LOAN/3RD MORTGAGE	<input type="checkbox"/> YES	\$ _____	<input type="checkbox"/> YES <input type="checkbox"/> NO	
JUDGMENTS	<input type="checkbox"/> YES	\$ _____	<input type="checkbox"/> YES <input type="checkbox"/> NO	
MECHANICS LIENS	<input type="checkbox"/> YES	\$ _____	<input type="checkbox"/> YES <input type="checkbox"/> NO	
OWE ANY BACK TAXES/SEWER LIENS	<input type="checkbox"/> YES	\$ _____	<input type="checkbox"/> YES <input type="checkbox"/> NO	
OTHER LIENS	<input type="checkbox"/> YES	\$ _____	<input type="checkbox"/> YES <input type="checkbox"/> NO	

SOLD OR RELEASED ANY PART OF YOUR PROPERTY SINCE YOU ACQUIRED IT?  YES     NO

ARE YOU REQUIRED TO PAY ALIMONY, CHILD SUPPORT, OR SEPARATE MAINTENANCE?  YES     NO    MONTHLY PAYMENT \$ \_\_\_\_\_    MATURITY DATE \_\_\_\_\_ mm/dd/yr

ARE YOU A CO-SIGNER OR ENDORSER ON A NOTE?  YES     NO    MONTHLY PAYMENT \$ \_\_\_\_\_    MATURITY DATE \_\_\_\_\_ mm/dd/yr

FOR QUESTIONS ON APPLICATION PLEASE CONTACT:  BORROWER     CO-BORROWER    WHERE WOULD YOU LIKE TO CLOSE: (LIST ANY WEBSTER BRANCH) \_\_\_\_\_





# **Home Equity Lending Important Documents & Disclosures**

**We have some important documents for  
you to review.**

Please take a few minutes to review these documents and save them for your future reference. At Webster we take your banking personally and want you to be completely satisfied. If you have any questions, please call us at 1-800-543-3375. Thank you for choosing Webster Bank!



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200 Executive Blvd.  
Southington, CT 06489

Dear Homeowner:

Thank you for selecting Webster Bank, N.A. for your home equity borrowing needs. We appreciate your business and look forward to serving you.

This packet contains important disclosures and other information regarding your home equity line of credit or loan. Be sure to save this information for future reference.

Based on the type of loan you are applying for, the grid below will tell you which documents need to be reviewed or completed.

Related Forms:	Bridge Line	Equity Loan	Equity Line
Consumer Home Equity Application	X	X	X
What You Should Know About Home Equity Lines of Credit	X		X
Application Disclosure - Home Equity Line of Credit			X
Fixed Rate Conversion Options Addendum to Application Disclosure			X
Application Disclosure - Bridge Line	X		
Balloon Payment Disclosure	X		
USA PATRIOT Act Account Open Disclosure	X	X	X
Webster's Privacy and Opt-Out Notice	X	X	X
Housing Counseling Agencies Notice	X	X	X

We may order an appraisal to determine the property's value and charge you for the 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.

As part of the application process, Webster will conduct a routine property and title evaluation. There is no cost to you for loans or lines up to \$500,000. Fees may apply for certain transactions.

You will be assigned a Branch Liaison who will work with you on your application and contact you to review the documentation you will be required to provide to proceed with your request. You may need to provide the following information:

- *Income and Employment verification for salaried employees, hourly employees, or self-employed borrowers;*
- *Rental or other income documentation and/or*
- *Verification of personal liquid assets.*

To apply online for a Home Equity Loan, please access [www.websterbank.com/HomeEquityLoan](http://www.websterbank.com/HomeEquityLoan) or for a Home Equity Line of Credit, use [www.websterbank.com/HomeEquityLineofCredit](http://www.websterbank.com/HomeEquityLineofCredit).

Housing counseling agencies approved by the U.S. Department of Housing and Urban Development (HUD) can offer independent advice about whether a particular mortgage loan terms is a good fit based on your objectives and circumstances, often at little or no cost.

A list has been provided and you can visit the Consumer Financial Protection Bureau's (CFPB) website, [www.consumerfinance.gov/find-a-housing-counselor](http://www.consumerfinance.gov/find-a-housing-counselor), and enter your zip code.

You can also access HUD's housing counseling agency website via [www.consumerfinance.gov/mortgagehelp](http://www.consumerfinance.gov/mortgagehelp) For additional assistance with locating a housing counseling agency, call the CFPB at 1-855-411-CFPB (2372) Thank you for applying with us. If you have any questions or need additional information, please call the Branch Liaison and Support team. 1-800-543-3375.



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## APPLICATION DISCLOSURE

### IMPORTANT TERMS OF OUR HOME EQUITY LINE OF CREDIT

In this disclosure, the words “you” and “your” mean anyone who applies for a Webster Home Equity Credit Line. The words “we”, “us” and “our” mean Webster Bank, N.A. (“Lender”).

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

**1. Availability of Terms:** All of the terms describe below are subject to change by us. If any of these terms change (other than the **ANNUAL PERCENTAGE RATE**) and you decide, as a result, not to enter into the agreement with us, you are entitled to a refund of any fees you paid to us or anyone else in connection with your application.

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

**3. Possible Actions:** We can terminate your line, require you to pay us the entire outstanding balance in one payment and charge you certain fees if:

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

We can refuse to make additional extensions of credit or reduce your credit limit if:

- The value of the dwelling securing the line declines significantly below its appraised value for purposes of the line.
- We reasonably believe you will not be able to meet the repayment requirements due to a material change in your financial circumstances.
- You are in default of a material obligation in the agreement.
- Government action prevents us from imposing the **ANNUAL PERCENTAGE RATE** provided for or impairs our security interest such that the value of interest is less than 120 percent of the credit line.
- A regulatory agency has notified us that continued advances would constitute an unsafe and unsound practice.
- The maximum **ANNUAL PERCENTAGE RATE** is reached.

The initial agreement permits us to make certain changes to the terms of the agreement at specified times or upon the occurrences of specified events.

**4. Minimum Payment Requirements:** You can obtain credit advances for 10 years (the “draw period”). During this period, the minimum payment each billing period (there will be 12 billing periods per year) shall equal interest and fees shown on the bill, plus any unpaid minimum payment from prior bills.

After the draw period ends you will no longer be able to obtain credit advances. During the repayment period, payments will be due each billing period. Your minimum payment will equal 1/240 of the balance that was outstanding at the end of the draw period, plus the finance charges that have accrued on the remaining balance and any unpaid fees billed during the previous period.

**5. Minimum Payment:** If you made only the minimum payments and took no other advances, it would take 30 years to pay off an advance of \$10,000.

At an **ANNUAL PERCENTAGE RATE** of 8.49 you would make 120 payments of \$72.11 followed by 240 payments varying between \$113.78 and \$41.16. (\*Minimum payment assumes that your outstanding balance remained at exactly \$10,000 and that you paid on the due date. The **APR** shown reflects the smallest index plus margin used recently; however, your index plus margin may differ.)

**6. Fees and Charges:** In order to open and maintain an account, you must pay the following fees to us:

**For All Lines:**

- Annual Fee: \$50.00 - waived year one - charged on each anniversary date thereafter,
- Service Fees: There are service charges equal to those charges being imposed by Lender for regular type checking accounts, such as “return items”. Ask us for our current rate structure for such charges.

**Fees to Third Parties\*:** If Applicable:

- Closing/Settlement Fee/Attorney Fee - \$175 to \$550;
- Appraisal Fee - \$125 to \$2,500;
- Additional Trip Fee to Appraiser - \$40 to \$150;
- Structural Engineering Assessments - up to \$5,300, (CT properties only);
- Recording Fees - \$68 to \$675;
- Title Insurance - \$100 to \$5,000.

Third party fees you will pay are contingent upon the line amount, state where property is located and other line related costs and generally range between \$800 and \$4,500.

**Investment Property:**

- Appraisal Fee, Title Search, Insurance, and Closing Fees may apply that generally range between \$1,500 to \$3,000\*.

**N.Y. State Mortgage Tax:**

- For lines equal to or less than \$500,000, Lender will pay up to 1.75% of the N.Y. state and other mortgage taxes/ stamps.
- For lines from \$500,001, Lender will pay up to 1.00% of the N.Y. state and other mortgage taxes/stamps. For lines over \$1,000,000, Lender will pay up to 0.25% of the N.Y. state and other mortgage taxes/stamps.
- For lines greater than \$500,000 up to \$2,000,000 fees may apply that generally range between \$10,766 and \$56,000\*. Amount of fees you will pay are contingent upon line amount, state where property is located and other line related costs such as title insurance, appraisals, and N.Y. state mortgage tax, where applicable.

- For Investment Properties, Lender will pay up to 0.25% of the N.Y. Mortgage Tax. Customer pays all other fees.

\* If you ask, we will give you an itemization of these fees.



**7. Pre-Payment Penalty:** For all states except New York, if the line is closed and paid in full within the first three years, the following penalties will be charged:

For all states except New York:

Prepayment Penalty Amount	Loan Amount
\$450	Lines < \$500,000
\$1000	>\$500,000 and ≤ \$1,000,000
½ % of original line amount if paid in full in 1 <sup>st</sup> year ¼% in 2 <sup>nd</sup> year 1/8% in 3 <sup>rd</sup> year	Over \$1,000,000

For New York, if the line is closed and paid in full within the first three years, the following penalties will be charged.

New York:

Prepayment Penalty Amount	Loan Amount
\$1,000	Less than and including \$150,000
\$2,000	>\$150,000 and < \$250,000
\$3,500	>\$250,000 and < \$500,000
\$5,000	>\$500,000 and < \$1,000,000
½% of original line amount if paid in full within 1 <sup>st</sup> 3 years	Over \$1,000,000

**8. Minimum Line of Credit:** We offer accounts that require minimum line amounts of \$10,000.

**9. Tax Deductibility:** You should consult a tax advisor with questions regarding the deductibility of interest and charges under the plan.

**10. Variable Rate Feature:** The plan has a variable rate feature, the **ANNUAL PERCENTAGE RATE** (corresponding to the periodic rate) and the minimum monthly payment can change as a result. The **ANNUAL PERCENTAGE RATE** includes only interest and no other costs.

The initial **ANNUAL PERCENTAGE RATE** is based on the value of an index plus or minus a margin; the margin may be a positive or negative number. (Refer to #14. for information on an initial discount rate.) The index equals the highest U.S. Prime Rate published in the "Money Rates" section of "The Wall Street Journal". The margin is determined by an underwriting process including combined loan to value ratio ("CLTV"), credit qualifications, occupancy, and property type. Once your initial **ANNUAL PERCENTAGE RATE** is established, your interest rate will be based on the value of an index plus or minus your margin. If the index is no longer available, we will choose a comparable index to compute

the **ANNUAL PERCENTAGE RATE**. Ask us for the current index values, margin, discount, and **ANNUAL PERCENTAGE RATE**. After you open a credit line rate information will be provided on periodic statements that we will send you.

**11. Rate Changes:** The rate can change each time the index changes. This rate change may occur every business day. The maximum **ANNUAL PERCENTAGE RATE** that can apply during the plan is 18.00%. This is called the "cap". The minimum **ANNUAL PERCENTAGE RATE** that can apply during the plan is 3.50%. This is called the "floor". (The Introductory Rate, if any, may drop below the "floor" during the Introductory Rate period.) Apart from the "cap" and the "floor", there is no limit on the amount by which the rate can change during any billing cycle.

**12. Maximum Rate and Payment Example:** If you had an outstanding balance of \$10,000 during the draw period, the minimum monthly payment at the maximum **ANNUAL PERCENTAGE RATE** of 18.00% would be \$152.88\*. This **ANNUAL PERCENTAGE RATE** could be reached during the first billing cycle of the repayment period.

If you had an outstanding balance of \$10,000 at the beginning of the repayment period, the minimum monthly payment at the maximum **ANNUAL PERCENTAGE RATE** of 18.00% would vary between \$194.55 and \$41.49\*. This **ANNUAL PERCENTAGE RATE** could be reached during the first billing cycle of the repayment period.

(\*The maximum rate reflects the highest rate that can be charged regardless of the initial index plus or minus the margin.)

**13. Historical Example:** The following tables show how the **ANNUAL PERCENTAGE RATE** and the minimum monthly payments for a single \$10,000 advance would be charged based on changes in the index over the last 15 years. The index values are from the first week in March of each year. While only one payment amount per year is shown, payments would have varied during each year.

The table assumes that no additional line advances were taken, that the balance did not exceed the \$10,000 credit limit at any time, that you paid exactly on the due date, that only the minimum payments were made, and that the interest rate remained constant during the year. It does not necessarily indicate how the index or your payments will change in the future. The attached table reflects the minimum index plus margin ranges. Your margin will depend on your line pricing (refer to #10. **Variable Rate Feature**).

INDEX TABLE					
10 year draw period (interest only)					
	YEAR	INDEX	MARGIN *	APR	MIN PMT
Draw Period	2009	3.250	0.99.	4.240	36.01
	2010	3.250	0.99	4.240	36.01
	2011	3.250	0.99	4.240	36.01
	2012	3.250	0.99	4.240	36.01
	2013	3.250	0.99	4.240	36.01
	2014	3.250	0.99	4.240	36.01
	2015	3.250	0.99	4.240	36.01
	2016	3.250	0.99	4.240	36.01
	2017	3.500	0.99	4.490	38.13
	2018	3.750	0.99	4.740	40.26**
Repay Period	2019	4.500	0.99	5.490	88.29
	2020	5.500	0.99	6.490	96.79
	2021	4.250	0.99	5.240	86.17
	2022	3.500	0.99	4.240	77.68
	2023	7.500	0.99	8.490	113.77

\*This is a margin we have used recently.  
\*\* The draw period ends after 10 years.

**14. Discounted Introductory Rate:** The initial **ANNUAL PERCENTAGE RATE** may be discounted, and not based on the index and margin used for later rate adjustments. The initial rate may be discounted for a certain period of time. Thereafter, the **ANNUAL PERCENTAGE RATE** will be based on the value of an index plus or minus a margin as described in #10. Variable Rate Feature.

**Historical Example:** The following table shows how the **ANNUAL PERCENTAGE RATE** and the minimum monthly payments for a single \$10,000 advance would be charged based on the discount rate and changes in the index over the last 15 years. The index values are from the first week in March of each year. The table below illustrates a discount

**ANNUAL PERCENTAGE RATE** for the first 12 months. While only one payment amount is shown thereafter, payments would have varied during each year.

The table assumes that no additional line advances were taken, that the balance did not exceed the \$10,000 credit limit at any time, that you paid exactly on the due date, that only the minimum payments were made, and that the interest rate remained constant during each year after the discount period.

It does not necessarily indicate how the index or your payments will change in the future. After the discount period, the table reflects the minimum index plus margin ranges. Your margin will depend on your line pricing (refer to #10 Variable Rate Feature).

<b>DISCOUNTED INITIAL RATE INDEX TABLE</b>					
10 year draw period (Interest Only)					
	YEAR	INDEX	MARGIN *	APR**	MIN PMT
		(%)	(%)	(%)	(\$)
Draw Period	2009	3.250	-0.76	2.490	21.15
	2010	3.250	0.99	4.240	36.01
	2011	3.250	0.99	4.240	36.01
	2012	3.250	0.99	4.240	36.01
	2013	3.250	0.99	4.240	36.01
	2014	3.250	0.99	4.240	36.01
	2015	3.250	0.99	4.240	36.01
	2016	3.250	0.99	4.240	36.01
	2017	3.500	0.99	4.490	38.13
	2018	3.750	0.99	4.740	40.26***
Repay Period	2019	4.500	0.99	5.490	88.29
	2020	5.500	0.99	6.490	96.79
	2021	4.250	0.99	5.240	86.17
	2022	3.250	0.99	4.240	77.68
	2023	7.500	0.99	8.490	113.77

\* This is a margin we have used recently.  
 \*\* This APR includes a discount for 12 months  
 \*\*\* The draw period ends after 10 years.

**Ask us for the current discount, index value, margin, and ANNUAL PERCENTAGE RATE.**

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## FIXED RATE CONVERSION OPTION ADDENDUM TO APPLICATION DISCLOSURE

This Fixed Rate Conversion Option Addendum supplements the information in the Application Disclosure about a Webster Home Equity Credit Line and describes how you may be able to repay all or a portion of the balance owed on a Webster Home Equity Credit Line at a fixed interest rate instead of a daily variable rate of interest. We sometimes refer to this fixed rate repayment option as the "Conversion Option". Please read this Fixed Rate Conversion Option Addendum carefully and keep a copy with the Application Disclosure for your records.

**1. Conversion Option.** No later than 90 days before the end of the draw period, you may ask us to convert some or all of your then-outstanding unpaid principal balance due on the Home Equity Credit Line to a fixed interest rate under certain conditions that are summarized below. You may only ask us to convert outstanding unpaid principal that is subject to a daily variable rate of interest at the time of your request. You may ask for a fixed rate repayment term of 60, 120, 180 or 240 consecutive monthly billing periods (5, 10, 15 or 20 years). The minimum principal amount you may convert to a fixed interest rate is \$25,000 for a 5-year repayment term, \$25,000 for a 10-year repayment term, \$50,000 for a 15-year repayment term and \$50,000 for a 20-year repayment term. You may not exercise a Conversion Option if, when you request the Conversion Option or at the time you would exercise the Conversion Option, we may take any action described in Section 3 of your Application Disclosure. You may not request a Conversion Option later than 90 days before the end of draw period, and you may not exercise the Conversion Option after the draw period has ended.

**2. Conversion Agreement.** If we agree to allow you to exercise a Conversion Option, you and we will enter into a written agreement spelling out the specific terms of the Conversion Option (including the principal amount subject to the fixed interest rate, the dollar amount and number of required monthly payments, and the fixed-interest rate).

**3. Conversion fee and other requirements.** We will charge you a \$99.00 fee whenever you exercise a Conversion Option. You may not have more than four (4) outstanding unpaid Conversion Option balances at a time.

**4. Fixed interest rate.** Here is how we will determine the fixed interest rate that will apply to a Conversion Option:

Subject to the Annual Percentage Rate "cap" (18.0%) and "floor" (3.50%) described in Section 11 of your Application Disclosure, we will offer you the fixed annual interest rate we are generally offering to eligible members of the public when we receive your Conversion Option request, for fixed rate home equity monthly installment loans for the principal amount and term you request (or for a substantially similar principal amount and term), assuming no "points" or origination fees are paid, after taking into account information we used to approve you for the Home Equity Credit Line, including (for example) your credit score, the value of the dwelling securing the Home Equity Credit Line account and other information. For example: If the value of our security interest in the dwelling when we agreed to open the

account was 85% of our estimated value of the dwelling (taking into account our mortgage and any prior mortgage or lien on the dwelling ahead of our mortgage), we would offer you the fixed annual interest rate we are generally offering at the time of your Conversion Option request to eligible members of the public for a fixed rate home equity monthly installment loan with the principal amount and term you request (or a substantially similar principal amount and term), assuming no "points" or origination fees are paid, and also assuming a combined loan-to-value ratio of 85%, and a borrower credit score and other credit information similar to your original credit score and other credit information we used when we approved you for the Home Equity Credit Line, subject to the Annual Percentage Rate "cap" (18.0%) and "floor" (3.50%) described in Section 11 of your Application Disclosure.

The Conversion Option fixed annual interest rate will not be less than the Annual Percentage Rate "floor" (3.50%) described in Section 11 of your Application Disclosure in the Agreement. In addition, if the Conversion Option fixed annual interest rate, determined as described above, would be more than the Annual Percentage Rate "cap" (18.0%) described in your Application Disclosure, we may, at our option, either allow you to exercise the Conversion Option (in which case the Conversion Option fixed annual interest rate would be 18.0%, or, alternatively, we may choose to not allow you to exercise the Conversion Option.

**If you do not exercise the Conversion Option within fifteen (15) days after we approve your Conversion Option request (by sending you a conversion Option confirmation agreement for your signature), we may at our discretion withdraw our approval of your Conversion Option request and/or redetermine the fixed annual interest rate applicable to your requested Conversion Option by offering you the fixed annual interest rate we are generally offering to eligible members of the public, as described more fully in the preceding paragraph, as of the date that is fifteen (15) days after we approved your conversion Option request (instead of as of the date we first received your Conversion Option request).**

After you exercise a Conversion Option, the principal balance converted to a fixed interest rate will not be subject to the variable rate feature described in your Application Disclosure until the final Conversion Option payment is due.

**5. Minimum monthly payment.** If you exercise a Conversion Option, the minimum monthly payment required to be made each billing period in connection with the Conversion Option will be an amount that would allow you to repay the converted principal balance at the fixed interest rate that applies to the Conversion Option during the scheduled repayment term of the Conversion Option in substantially equal payment amounts. Your total required payment each billing period would equal the minimum payment described in your Application Disclosure (for balances that are subject to the variable Annual Percentage Rate described in your Application Disclosure) plus the minimum monthly payment required to be made in connection with any Conversion Option(s) you exercise.

**6. Examples of Conversion Option minimum monthly payments.** All of the examples in the Application Disclosure of minimum payments assume that you do not exercise any Conversion Option. Here are examples of Conversion Option minimum monthly payments, assuming you convert \$50,000 of principal to a fixed annual interest rate of 18% (the highest possible Conversion Option fixed annual interest rate):

Principal Amount Converted	Repayment term	Minimum monthly payment
\$50,000*	60 billing periods (5 years)	\$ 1,269.67
\$50,000**	120 billing periods (10 years)	\$ 900.93
\$50,000	180 billing periods (15 years)	\$ 805.21
\$50,000	240 billing periods (20 years)	\$ 711.66

\*The minimum amount that may be converted to a 5-year repayment term is \$25,000. In this 5-year repayment term example, the minimum monthly payment for each \$10,000 of principal converted to an 18% fixed annual interest rate would be \$253.93,

\*\*The minimum amount that may be converted to a 10-year repayment term is \$25,000. In this 10-year repayment term example, the minimum monthly payment for \$25,000 of principal converted to an 18% fixed annual interest rate would be \$450.46.

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## APPLICATION DISCLOSURE - BRIDGE LINE

### IMPORTANT TERMS OF OUR HOME EQUITY LINE OF CREDIT

In this disclosure, the words "you" and "your" mean anyone who applies for a Webster Home Equity Credit Line. The words "we", "us" and "our" mean Webster Bank, N.A. ("Lender").

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

**1. Availability of Terms:** All of the terms described below are subject to change by us. If any of these terms change (other than the **ANNUAL PERCENTAGE RATE**) and you decide, as a result, not to enter into the agreement with us, you are entitled to a refund of any fees you paid to us or anyone else in connection with your application.

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

**3. Possible Actions:** We can terminate your line, require you to pay us the entire outstanding balance in one payment and charge you certain fees if:

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

We can refuse to make additional extensions of credit or reduce your credit limit if:

- The value of the dwelling securing the line declines significantly below its appraised value for purposes of the line.
- We reasonably believe you will not be able to meet the repayment requirements due to a material change in your financial circumstances.
- You are in default of a material obligation in the agreement.
- Government action prevents us from imposing the **ANNUAL PERCENTAGE RATE** provided for or impairs our security interest such that the value of interest is less than 120 percent of the credit line.
- A regulatory agency has notified us that continued advances would constitute an unsafe and unsound practice.
- The maximum **ANNUAL PERCENTAGE RATE** is reached.

The initial agreement permits us to make certain changes to the terms of the agreement at specified times or upon the occurrences of specified events.

**4. Minimum Payment Requirements:** You can obtain credit advances for 12 months (the "draw period"). During this period, the minimum payment each billing period (there will be 12 billing periods per year) shall equal the finance charges on the outstanding balance. This minimum payment will not reduce the principal outstanding on your line. You will be required to pay the entire balance in a single "balloon" payment. The minimum payment however does not pay the interest charges and fees which at the end of each billing cycle become part of the balance after the draw period ends you will be required to pay the entire balance in a single "balloon payment".

**5. Minimum Payment:** If you made only the minimum payments and took no other advances it would take one year at an **ANNUAL PERCENTAGE RATE** of 9.50% to pay off an advance of \$10,000.

During this period, you would make 11 payments of \$80.68 followed by 1 payment of \$10,080.68 (assuming that your outstanding balance remained exactly \$10,000 and that you paid exactly on the due date).

**6. Fees and Charges:** In order to open and maintain an account, you must pay the following fees to us:

- **Commitment Fee:** Percentage of equity credit line amount (minimum \$250) paid at time of closing/ disbursement advanced from line. Ask us for those amounts.\*
  - **Annual Fee:** None
- **Service Fees:** There are service charges equal to those charges being imposed by Lender for regular type checking accounts, such as "return items". Ask us for our current rate structure for such charges.
- **Property Insurance:** We require that you maintain adequate fire and other hazard insurance (including, where applicable, flood insurance) on property on which you will give us a security interest.

#### **Other Fees Imposed by Lender to Open Plan\***

- **Fees to Third Parties:** Borrower(s) pay all applicable city, county and state or other mortgage taxes. These mortgage taxes range from 0.5% to 3% and are based on a percentage of the loan amount.\*

\* If you ask, we will give you an itemization of all fees imposed by lender or third party.

**7. Pre-Payment Penalty:** No prepayment penalty will be assessed on a Bridge Line.

**8. Minimum Line of Credit:** \$25,000.00.

**9. Tax Deductibility:** You should consult a tax advisor regarding the deductibility of interest and charges under the plan.

**10. Variable Rate Feature:** The plan has a variable rate feature, the **ANNUAL PERCENTAGE RATE** (corresponding to the periodic rate) and the minimum monthly payment can change as a result. The **ANNUAL PERCENTAGE RATE** includes only interest and no other costs.

The **ANNUAL PERCENTAGE RATE** is based on the value of an index plus or minus a margin (the margin may be a positive or negative number). The index equals the highest U.S. Prime Rate published in the "Money Rates" section of "The Wall Street Journal". The margin is determined by an underwriting process including combined loan to value ratio ("CLTV"), credit qualifications, occupancy and property type. Once your initial **ANNUAL PERCENTAGE RATE** is established, your interest rate will be based on the value of an index plus or minus your margin. If the index is no longer available, we will choose a comparable index to compute the **ANNUAL PERCENTAGE RATE**. Ask us for the current index values, margin, discount, and **ANNUAL PERCENTAGE RATE**. After you open a credit line, rate information will be provided on periodic statements that we send you.

**11. Rate Changes:** The rate can change each time the index changes. This rate change may occur every business day. The maximum **ANNUAL PERCENTAGE RATE** that can apply during the plan is 21.00%. This is called the "cap". The minimum **ANNUAL PERCENTAGE RATE** that can apply during the plan is 3.00%. This is called the "floor". Apart from the "cap" and the "floor", there is no limit on the amount by which the rate can change during any billing cycle

**12. Maximum Rate and Payment Example:** If you had an outstanding balance of \$10,000 during the draw period, the minimum monthly payment at the maximum **ANNUAL PERCENTAGE RATE** of 21.00% would be \$178.36.\* This **ANNUAL PERCENTAGE RATE** could be reached during the first billing cycle of the draw period.

**13. Historical Example:** The following table shows how the **ANNUAL PERCENTAGE RATE** and the minimum monthly payments for a single \$10,000 advance would be charged based on changes in the index over the last 15 years. The index values are from the first week in March of each year. While only one payment amount per year is shown, payments would have varied during each year.

The table assumes that no additional loan advances were taken, that the balance did not exceed the \$10,000 credit limit at any time, that you paid exactly on the due date, that only the minimum payments were made, and that the interest rate remained constant during the year. It does not necessarily indicate how the index or your payments will change in the future. The table below reflects the minimum index plus margin ranges. Your margin will depend on your line pricing (refer to #10. Variable Rate Feature).

INDEX TABLE				
12 Month Draw Period (Interest Only) with Balloon Payment				
Lines 80% or Less CLTV				
YEAR	INDEX (%)	MARGIN*(%)	APR (%)	MINIMUM PAYMENT (\$)
2009	3.250	2.00	5.250	44.59
2010	3.250	2.00	5.250	44.59
2011	3.250	2.00	5.250	44.59
2012	3.250	2.00	5.250	44.59
2013	3.250	2.00	5.250	44.59
2014	3.250	2.00	5.250	44.59
2015	3.250	2.00	5.250	44.59
2016	3.500	2.00	5.500	46.71
2017	3.750	2.00	5.750	48.84
2018	4.500	2.00	6.500	55.21
2019	5.500	2.00	7.500	63.70
2020	4.250	2.00	6.250	53.08
2021	3.250	2.00	5.250	44.59
2023	7.500	2.00	9.500	80.68

\*This is a margin we have used recently



## BALLOON PAYMENT DISCLOSURE

### NOTICE

Read Before Signing Your  
Home Equity Loan Documents

### BALLOON PAYMENT PROVISION

Unless otherwise expressly disclosed in the Note, or in an Addendum or a Rider to the Note, **THE LENDER IN THIS TRANSACTION IS UNDER NO OBLIGATION TO REFINANCE THE OUTSTANDING PRINCIPAL BALANCE OF THIS LOAN DUE ON THE MATURITY DATE.** You may be required to pay off the entire principal balance, plus any unpaid interest due thereon, on the maturity date using personal assets. If this Lender, or any other Lender, agrees to refinance the outstanding balance due on maturity date, you may be required to pay the then prevailing interest rate, which may be higher or lower than the interest rate specified in the Note, plus origination costs and fees as are typically incurred when creating a new loan.



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## Privacy, the USA PATRIOT Act and Opening an Account

At Webster, we respect and protect the confidentiality of customer information. We will only request information that is necessary to open and service your Account. Some of the information that we request is required by a federal law called the USA PATRIOT Act and regulators adopted by governmental agencies to implement this law. The USA PATRIOT Act requires us to obtain, verify and record information that identifies each person or entity that opens an Account. This information helps the government fight the funding of terrorism and money laundering activities.

When you open an Account or apply for a loan, we are required to obtain your name, address, TIN, and date of birth. In addition, we will ask that you provide your driver's license, as well as any other identifying documents that we may deem necessary. Please rest assured that all customer information is kept in the strictest confidence, except as required by law or may be permitted by law to be disclosed, as more fully described in the Webster Policy and Opt-Out Notice (as that Privacy and Opt-Out Notice may be amended from time to time.)



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FACTS	WHAT DOES WEBSTER 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: <ul style="list-style-type: none"> <li>• Social Security number and transaction history</li> <li>• account balances and payment history</li> <li>• credit history and credit scores</li> </ul>
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 Webster Bank chooses to share; and whether you can limit this sharing.

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

To limit our sharing	<ul style="list-style-type: none"> <li>• Call 1-203-272-7711 or 1-800-261-5482 toll free, or</li> <li>• Visit us online at <a href="http://www.websteronline.com/privacy">www.websteronline.com/privacy</a>.</li> </ul> <p><b>Please note:</b> If you are a <i>new</i> customer, we can begin sharing your information 30 days from the date we sent this notice. When you are <i>no longer</i> 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.</p>
Questions?	Call 1-203-272-7711 or 1-800-261-5482 toll free, or go to <a href="http://www.websterbank.com">www.websterbank.com</a> and select <i>Contact Us</i> .

**Who we are**

<b>Who is providing this notice?</b>	Webster Financial Corporation and its family of companies: Webster Bank, N.A. (including its divisions: HSA Bank, Webster Investment Services, Webster Financial Advisors and its trade name Webster Private Bank); Webster Business Credit Corp.; Webster Capital Finance, Inc.; and Webster Wealth Advisors, Inc.
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**What we do**

<b>How does Webster Bank protect my personal information?</b>	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.
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<b>How does Webster Bank collect my personal information?</b>	<p>We collect your personal information, for example, when you</p> <ul style="list-style-type: none"> <li>• open an account or make deposits or withdrawals from your account</li> <li>• pay your bills or apply for a loan</li> <li>• use your credit or debit card</li> </ul> <p>We also collect your personal information from others, such as credit bureaus, affiliates, or other companies.</p>
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<b>Why can't I limit all sharing?</b>	<p>Federal law gives you the right to limit only</p> <ul style="list-style-type: none"> <li>• sharing for affiliates' everyday business purposes — information about your creditworthiness</li> <li>• affiliates from using your information to market to you</li> <li>• sharing for non-affiliates to market to you</li> </ul> <p>State laws and individual companies may give you additional rights to limit sharing. See below for information on your rights under state law.</p>
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<b>What happens when I limit sharing for an account, I hold jointly with someone else?</b>	Your choices will apply to you alone unless you tell us otherwise.
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**Definitions**

<b>Affiliates</b>	<p>Companies related by common ownership or control. They can be financial and nonfinancial companies.</p> <ul style="list-style-type: none"> <li>• <i>Our affiliates include financial companies with a common corporate identity of Webster's name such as Webster Financial Corporation; Webster Bank, N.A.; Webster Business Credit Corp.; Webster Capital Finance, Inc. and Webster Wealth Advisors, Inc.</i></li> </ul>
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<b>Non-affiliates</b>	<p>Companies not related by common ownership or control. They can be financial and nonfinancial companies.</p> <ul style="list-style-type: none"> <li>• <i>Webster Bank does not share with non-affiliates so they can market to you.</i></li> </ul>
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<b>Joint marketing</b>	<p>A formal agreement between nonaffiliated financial companies that together market financial products or services to you.</p> <ul style="list-style-type: none"> <li>• <i>Our joint marketing partners include credit and debit card companies, broker-dealer companies, insurance companies and brokers, and financial services companies.</i></li> </ul>
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**Other important information**

**For Vermont Residents.** We will not share information we collect about Vermont residents with companies who are not affiliates, except as permitted by law, such as with your consent or to service your accounts. We will not share information about your creditworthiness with our affiliates without your authorization or consent, but we may share information about our transactions or experiences with you with our affiliates without your consent. You are not required to contact us for these elections to apply.

**For California Residents.** We will not share information we collect about California residents with companies who are not affiliates, except as permitted by law, such as with your consent or to service your accounts. Among our affiliates, we will limit information sharing to the extent permitted by California law. You are not required to contact us for these elections to apply.



**Webster Bank, N.A.**  
Webster Contact Center  
P.O. Box 10305  
Waterbury, CT 06726  
1-800-325-2424

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WHAT YOU SHOULD KNOW ABOUT

# Home Equity Lines of Credit (HELOC)

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Borrowing from the  
value of your home



Consumer Financial  
Protection Bureau



An official publication of the U.S. government

## How to use the booklet

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

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

## About the CFPB

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

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

## How can this booklet help you?

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

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

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

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

## After you finish this booklet:

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

# Compare a HELOC to other money sources

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

## TIP

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

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

# Compare a HELOC to other money sources

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

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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.

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### **TIP**

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

## If something changes during the course of the loan

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

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



### WELL DONE!

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

## In this booklet:

### **ASK YOURSELF**

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

Have I shopped around for HELOC features and fees?

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

### **ONLINE TOOLS**

**CFPB website**  
[cfpb.gov](https://cfpb.gov)

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

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

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

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