WHAT YOU SHOULD KNOW ABOUT

Home Equity Lines of Credit (HELOC)

Borrowing from the value of your home

cfpb 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 *You borrow against the equity in your home*	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 *You borrow against the equity in your home*	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 *You replace your existing mortgage with a bigger mortgage and take the difference in cash*	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 *You borrow based on your credit, without using your home as collateral*	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
RETIREMENT PLAN LOAN *You borrow from your retirement savings in a 401(k) or similar plan through your current employer*	Generally, up to 50% of your vested balance or $50,000, whichever is less	Fixed	No	Repay through paycheck deductions; paperwork required but no credit check and no impact on your credit score	If you leave or lose your job, repay the whole amount at that time or pay taxes and penalties; spouse may need to consent
HOME EQUITY CONVERSION MORTGAGE (HECM) *You must be age 62 or older, and you borrow against the equity in your home*	Depends on your age, the interest rate on your loan, and the value of your home	Fixed or variable	Yes	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	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
CREDIT CARD *You borrow money from the credit card company and repay as you go*	Up to the amount of your credit limit, as determined by the credit card company	Fixed or variable	No	No minimum purchase; consumer protections in the case of fraud or lost or stolen card	Higher interest rate than a loan that uses your home as collateral
FRIENDS AND FAMILY *You borrow money from someone you are close to*	Agreed on by the borrower and lender	Variable, fixed or other	No	Reduced waiting time, fees, and paperwork compared to a formal loan	Forgiven loans and unreported or forgiven interest can complicate taxes, especially for large loans; can jeopardize important personal relationships if something goes wrong

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. You must be prepared to make this 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?				

My best HELOC offer is: ____________

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

Last updated 08/22

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B. IMPORTANT TERMS OF OUR HOME EQUITY LINE OF CREDIT ACCOUNT

This disclosure contains important information about our Home Equity Line of Credit. (For definitions of some of the terms used see paragraph 13 below.) 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:
(a) We can terminate your account, and require you to pay us the entire outstanding balance in one payment (“accelerate”), if any one of the following “events of default” occurs:

- 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

(b) We can also refuse to make additional extensions of credit or reduce your credit limit if:

- The value of your home 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, or an “event of default” is occurring.
- Government action prevents us from imposing the annual percentage rate provided for in the agreement or impairs our security interest such that the value of the interest is less than 120 percent of the credit line.
- Our regulatory agency has notified us that continued advances would constitute an unsafe and unsound practice.
- The maximum annual percentage rate is reached.

(c) The initial agreement also permits us to make certain changes to the terms of the agreement at specified times or upon the occurrence of specified events.

4. Minimum Payment Requirements: After you open an account, you can obtain loan advances for the first nine (9) years and ten (10) months. This period is called the "Borrowing Period". During the Borrowing Period, payments will be due monthly and will equal the interest that has accrued on outstanding balances plus any fees that you owe us. Payment of this minimum payment alone will not repay any of the principal balance that you may have borrowed through loan advances.

After the expiration of the Borrowing Period, your Account will enter a "Repayment Period". The Repayment Period will last approximately fifteen (15) years. During the Repayment Period, payments will be due monthly, and your minimum payment will be equal to a "Principal Component" plus the interest and fees for the monthly billing cycle. The Principal Component will be equal to the greater of (i) 1/180th of principal balance that is outstanding as of the end of the Borrowing Period, or (ii) $50. If the result of this calculation produces a minimum payment that is greater than your total outstanding account balance, your minimum payment will be equal to your total outstanding account balance. Note that by only paying the minimum payment, you may not completely pay off all principal by the final maturity date.

5. Fees to Open and Maintain an Account:
(a) Lawyer’s Fees. If your credit limit is above $250,000, we may, at our option, have a lawyer represent us in the transaction (including title work) and you will have to pay the attorney’s fees before we will open the account. We estimate that these fees will range from $400 to $800. If your credit limit is $250,000 or less, you will not have to pay any fees to third parties (other than hazard and flood insurance, if applicable). In some cases, we may require these loans to be closed by an attorney and you will have to pay all the third-party fees including attorney fees.
(b) Annual Membership Fee and Hazard Insurance. In order to maintain an account, you must pay us an Annual Membership Fee of $50.00 due each year during the Borrowing Period. We also require that you maintain adequate fire and other hazard insurance (including where applicable, flood insurance) with respect to your home.
(c) Appraisal Fee. In some cases, you may have to pay an appraisal fee. We estimate that this fee will range from $140 to $400.

6. Minimum Draw Requirement. The minimum loan advance that you can receive is $500.

7. Tax Deductibility: You should consult a tax advisor regarding the deductibility of interest and charges that are imposed in connection with the account.

8. Variable-Rate Feature: The account has a variable-rate feature. The annual percentage rate (corresponding to the daily periodic rate) can change on a monthly basis and the minimum monthly payment can change as a result. The annual percentage rates disclosed in this statement include only interest and no other costs.

The annual percentage rate is based on the value of an Index. The "Index" is the rate published in the *Wall Street Journal*, Eastern Edition, under the heading "Money Rates" and shown as "prime rate" or "base rate on corporate loans posted by at least 75% of the nation's 30 largest banks" or similar language used by the *Journal* for that index. If more than one rate is shown, we use the highest. To determine the annual percentage rate each monthly billing cycle, we subtract a "Discount" from or add a "Premium" to the applicable Index value. Ask us for the current Index value, Discount/Premium and annual percentage rate. After you open an account, rate information will be provided on periodic statements that we send to you.

9. <u>Rate Changes</u>:

(0 to 80.00 % LTV):
The annual percentage rate can change monthly. Over the life of the account, the ***<u>ANNUAL PERCENTAGE RATE</u>*** cannot increase above 18% ("lifetime cap") nor decrease below 5.50% ("lifetime floor"). Apart from the lifetime cap and lifetime floor, there are no other limits on the amount by which the rate can change during any one-year period.

10. <u>Minimum Payment Example</u>:

(0 to 80.00 % LTV):
If you made only the minimum payments and took no other advances, it would take 24 years and ten months (estimated) to pay off an advance of $10,000. By way of example, if we assume an ****<u>ANNUAL PERCENTAGE RATE</u>**** of 9.00%, with respect to the Borrowing Period you would be required to make 118 minimum monthly payments of $76.44 (estimated). Assuming the same Annual Percentage Rate, with respect to the Repayment Period you would be required to make 180 monthly payments varying from $132.00 to $55.98 (estimated).

11. <u>Maximum Rate and Payment Example</u>: If you had an outstanding balance of $10,000, the minimum monthly payment at the maximum ****<u>ANNUAL PERCENTAGE RATE</u>**** of 18% would be $152.88. If you had an outstanding balance of $10,000 at the beginning of the Repayment Period, the minimum monthly payment at the maximum ****<u>ANNUAL PERCENTAGE RATE</u>**** of 18.00% would be $208.44. The maximum annual percentage rate could be reached as early as the start of the first complete monthly billing cycle.

12. <u>Historical Example</u>: The following table shows how the annual percentage rate and minimum monthly payments for a single $10,000 advance would have changed over the last 15 years based on changes in the Index. The Index values are from the *Wall Street Journal* published on the first business day of August of each year.

The table assumes that no additional loan advances were taken, that the balance remained exactly at $10,000 throughout the Borrowing Period, that only the minimum payments were made, and that the rate remained constant during each year. It does not necessarily indicate how the Index, or your payments will change in the future. The minimum monthly payment does not reflect the membership fee, which is charged once a year during the Borrowing Period. While only one payment amount per year is shown, payments would have varied during each year.

(0 to 80.00 % LTV):

YEAR	INDEX (a) (%)	PREMIUM (a) (%)	ANNUAL PERCENTAGE RATE (%)	MINIMUM MONTHLY PAYMENT	
2009	3.25	0.50	5.50 (b)	46.71	Borrowing Period
2010	3.25	0.50	5.50 (b)	46.71	
2011	3.25	0.50	5.50 (b)	46.71	
2012	3.25	0.50	5.50 (b)	46.71	
2013	3.25	0.50	5.50 (b)	46.71	
2014	3.25	0.50	5.50 (b)	46.71	
2015	3.25	0.50	5.50 (b)	46.71	
2016	3.50	0.50	5.50 (b)	46.71	
2017	4.25	0.50	5.50 (b)	46.71	
2018	5.00	0.50	5.50	101.75 (principal & interest)	
2019	5.25	0.50	5.75	100.60	Repayment Period
2020	3.25	0.50	5.50 (b)	95.52	
2021	3.25	0.50	5.50 (b)	92.41	
2022	5.50	0.50	6.00	92.36	
2023	8.50	0.50	9.00	105.67	

(a) This is a "Index" we have used recently and a "Premium" we have used recently.
(b) This rate reflects the 5.50% floor.

13. <u>Definitions</u>: "We", "us", and "our" refer to The Ion Bank, 251 Church Street, Naugatuck, CT 06770. "You" and "your" refer to each person who signs the "agreement." "Account" means your Home Equity Line of Credit account. The "agreement" is the document that creates the account. The "mortgage deed" is the document, signed by those who own the home, which gives us the mortgage on your home. "Your home" refers to the dwelling securing the account without regard to who owns it or whether or not it is your principal dwelling.

C. Notice To Home Equity Line Of Credit Applications About Our Appraisal Of Your Property, Your Right To a Lawyer, Our Policy On Interim Financing And the Absence Of a Rate Lock-In agreement

The words "you" and "your" refer to each and all persons who are applying for one of our Home Equity Lines of Credit. The words "we", "us", and "our" refer to Ion Bank, 251 Church Street, Naugatuck, Connecticut 06770.

I. Appraisal Report: You have applied for a loan which generally requires that we take a mortgage on a residence. You have the right to a copy of the document(s), if any, relied upon by us in evaluating the value of that residence (the Appraisal Report"). Under applicable law, you have a right to a copy of the Appraisal Report, if any, if you write to us at the mailing address set forth above; we must hear from you no later than 90 days after we notify you about the action taken on your credit application or you withdraw your application. In your letter, give us the following information: *your name, *your address, the address of the property on which we have obtained the Appraisal Report, *the approximate date of your application, and *the type of loan for which you applied.

PLEASE DO NOT RELY ON THIS APPRAISAL REPORT FOR ANY PURPOSE OF YOUR OWN WHATSOEVER. It was prepared for our internal purposes only and was not intended for you or anyone other than us to rely on.

II. Legal Representation: The law requires us to give you the following information: You may have legal interests that differ from ours. We may not require you to be represented by the lawyer, if any, who represents us. You have a right to hire your own lawyer to represent you in this transaction. You may waive the right to be represented by a lawyer in this transaction. You may direct any complaints concerning violations of your rights listed in this Part II to the Connecticut Department of Banking.

III. Our Policy On Interim Financing: We are required by law to tell you that we have a policy of only offering what is known as "interim financing" on a case by case basis at our discretion. "Interim financing" means short term loans, the proceeds of which are used to purchase a 1-4 family residence and which is due and payable when you sell your current residence.

Our Home Equity Line of Credit product is not intended for use as interim financing. We generally offer interim financing on a case-by-case basis, and usually only in connection with a separate purchase-money loan transaction undertaken with us. If you need interim financing, please let us know, and we will provide you with more information on what types of interim financing products may be available from us, if any.

IV. Absence Of A "Rate Lock-In" Agreement: A "Mortgage Rate Lock-In" is an agreement where we agree to give you a particular rate, number of points or specified variable rate terms, provided that you close the loan within a specified period. None of the terms are locked-in (or guaranteed) on a Home Equity Line of Credit product until closing. By accepting this disclosure you understand and agree that we are not offering a Mortgage Rate Lock-In Agreement on the product for which you have applied.

Customer Acknowledgement Concerning Delivery of Certain Disclosures

Home Equity Line of Credit

By Signing below, you acknowledge receiving a copy of the following disclosures:

(A) Home Equity disclosure including "When Your Home is on the Line: What you should Know About Home Equity Lines of Credit."

(B) "Important Terms of Our Home Equity Line of Credit Account."

(C) Notice of "Appraisal of Your Property, Your Right to Lawyer, Interim Financing and Absence of Rate Lock Agreement."

______________________________ __________
Signature (Applicant) Date

______________________________ __________
Signature (Co-Applicant) Date

NEW JERSEY

B. IMPORTANT TERMS OF OUR HOME EQUITY LINE OF CREDIT ACCOUNT

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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:
(a) We can terminate your account, and require you to pay us the entire outstanding balance in one payment ("accelerate"), if any one of the following "events of default" occurs:

- 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

(b) We can also refuse to make additional extensions of credit or reduce your credit limit if:

- The value of your home 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, or an "event of default" is occurring.
- Government action prevents us from imposing the annual percentage rate provided for in the agreement or impairs our security interest such that the value of the interest is less than 120 percent of the credit line.
- Our regulatory agency has notified us that continued advances would constitute an unsafe and unsound practice.
- The maximum annual percentage rate is reached.

(c) The initial agreement also permits us to make certain changes to the terms of the agreement at specified times or upon the occurrence of specified events.

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After the expiration of the Borrowing Period, your Account will enter a "Repayment Period". The Repayment Period will last approximately fifteen (15) years. During the Repayment Period, payments will be due monthly, and your minimum payment will be equal to a "Principal Component" plus the interest and fees for the monthly billing cycle. The Principal Component will be equal to the greater of (i) 1/180th of principal balance that is outstanding as of the end of the Borrowing Period, or (ii) $50. If the result of this calculation produces a minimum payment that is greater than your total outstanding account balance, your minimum payment will be equal to your total outstanding account balance. Note that by only paying the minimum payment, you may not completely pay off all principal by the final maturity date.

5. Fees to Open and Maintain an Account:
(a) Lawyer's Fees. If your credit limit is above $250,000, we may, at our option, have a lawyer represent us in the transaction (including title work) and you will have to pay the attorney's fees before we will open the account. We estimate that these fees will range from $400 to $800. If your credit limit is $250,000 or less, you will not have to pay any fees to third parties (other than hazard and flood insurance, if applicable). In some cases, we may require these loans to be closed by an attorney and you will have to pay all the third-party fees including attorney fees.
(b) Annual Membership Fee and Hazard Insurance. In order to maintain an account, you must pay us an Annual Membership Fee of $50.00 due each year during the Borrowing Period. We also require that you maintain adequate fire and other hazard insurance (including where applicable, flood insurance) with respect to your home.
(c) Appraisal Fee. In some cases, you may have to pay an appraisal fee. We estimate that this fee will range from $140 to $400.

6. Minimum Draw Requirement. The minimum loan advance that you can receive is $500.

7. Tax Deductibility: You should consult a tax advisor regarding the deductibility of interest and charges that are imposed in connection with the account.

8. Variable-Rate Feature: The account has a variable-rate feature. The annual percentage rate (corresponding to the daily periodic rate) can change on a monthly basis and the minimum monthly payment can change as a result. The annual percentage rates disclosed in this statement include only interest and no other costs.

The annual percentage rate is based on the value of an Index. The "Index" is the rate published in the *Wall Street Journal*, Eastern Edition, under the heading "Money Rates" and shown as "prime rate" or "base rate on corporate loans posted by at least 75% of the nation's 30 largest banks" or similar language used by the *Journal* for that index. If more than one rate is shown, we use the highest. To determine the annual percentage rate each monthly billing cycle, we subtract a "Discount" from or add a "Premium" to the applicable Index value. Ask us for the current Index value, Discount/Premium and annual percentage rate. After you open an account, rate information will be provided on periodic statements that we send to you.

9. Rate Changes:

(0 to 80.00 % LTV):
The annual percentage rate can change monthly. Over the life of the account, the ***ANNUAL PERCENTAGE RATE*** cannot increase above 18% ("lifetime cap") nor decrease below 5.50% ("lifetime floor"). Apart from the lifetime cap and lifetime floor, there are no other limits on the amount by which the rate can change during any one-year period.

10. Minimum Payment Example:

(0 to 80.00 % LTV):
If you made only the minimum payments and took no other advances, it would take 24 years and ten months (estimated) to pay off an advance of $10,000. By way of example, if we assume an ****ANNUAL PERCENTAGE RATE**** of 9.00%, with respect to the Borrowing Period you would be required to make 118 minimum monthly payments of $76.44 (estimated). Assuming the same Annual Percentage Rate, with respect to the Repayment Period you would be required to make 180 monthly payments varying from $132.00 to $55.98 (estimated).

11. Maximum Rate and Payment Example: If you had an outstanding balance of $10,000, the minimum monthly payment at the maximum ****ANNUAL PERCENTAGE RATE**** of 16% would be $135.89. 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 16.00% would be $191.45. The maximum annual percentage rate could be reached as early as the start of the first complete monthly billing cycle.

12. Historical Example: The following table shows how the annual percentage rate and minimum monthly payments for a single $10,000 advance would have changed over the last 15 years based on changes in the Index. The Index values are from the *Wall Street Journal* published on the first business day of August of each year.

The table assumes that no additional loan advances were taken, that the balance remained exactly at $10,000 throughout the Borrowing Period, that only the minimum payments were made, and that the rate remained constant during each year. It does not necessarily indicate how the Index, or your payments will change in the future. The minimum monthly payment does not reflect the membership fee, which is charged once a year during the Borrowing Period. While only one payment amount per year is shown, payments would have varied during each year.

(0 to 80.00 % LTV):

YEAR	INDEX (a) (%)	PREMIUM (a) (%)	ANNUAL PERCENTAGE RATE (%)	MINIMUM MONTHLY PAYMENT	
2009	3.25	0.50	5.50 (b)	46.71	Borrowing Period
2010	3.25	0.50	5.50 (b)	46.71	
2011	3.25	0.50	5.50 (b)	46.71	
2012	3.25	0.50	5.50 (b)	46.71	
2013	3.25	0.50	5.50 (b)	46.71	
2014	3.25	0.50	5.50 (b)	46.71	
2015	3.25	0.50	5.50 (b)	46.71	
2016	3.50	0.50	5.50 (b)	46.71	
2017	4.25	0.50	5.50 (b)	46.71	
2018	5.00	0.50	5.50	101.75 (principal & interest)	
2019	5.25	0.50	5.75	100.60	Repayment Period
2020	3.25	0.50	5.50 (b)	95.52	
2021	3.25	0.50	5.50 (b)	92.41	
2022	5.50	0.50	6.00	92.36	
2023	8.50	0.50	9.00	105.67	

(a) This is a "Index" we have used recently and a "Premium" we have used recently.
(b) This rate reflects the 5.50% floor.

13. Definitions: "We", "us", and "our" refer to The Ion Bank, 251 Church Street, Naugatuck, CT 06770. "You" and "your" refer to each person who signs the "agreement." "Account" means your Home Equity Line of Credit account. The "agreement" is the document that creates the account. The "mortgage deed" is the document, signed by those who own the home, which gives us the mortgage on your home. "Your home" refers to the dwelling securing the account without regard to who owns it or whether or not it is your principal dwelling.

C. Notice To Home Equity Line Of Credit Applications About Our Appraisal Of Your Property, Your Right To a Lawyer, Our Policy On Interim Financing And the Absence Of a Rate Lock-In agreement

The words "you" and "your" refer to each and all persons who are applying for one of our Home Equity Lines of Credit. The words "we", "us", and "our" refer to Ion Bank, 251 Church Street, Naugatuck, Connecticut 06770.

I. Appraisal Report: You have applied for a loan which generally requires that we take a mortgage on a residence. You have the right to a copy of the document(s), if any, relied upon by us in evaluating the value of that residence (the Appraisal Report"). Under applicable law, you have a right to a copy of the Appraisal Report, if any, if you write to us at the mailing address set forth above; we must hear from you no later than 90 days after we notify you about the action taken on your credit application or you withdraw your application. In your letter, give us the following information: *your name, *your address, the address of the property on which we have obtained the Appraisal Report, *the approximate date of your application, and *the type of loan for which you applied.

PLEASE DO NOT RELY ON THIS APPRAISAL REPORT FOR ANY PURPOSE OF YOUR OWN WHATSOEVER. It was prepared for our internal purposes only and was not intended for you or anyone other than us to rely on.

II. Legal Representation: The law requires us to give you the following information: You may have legal interests that differ from ours. We may not require you to be represented by the lawyer, if any, who represents us. You have a right to hire your own lawyer to represent you in this transaction. You may waive the right to be represented by a lawyer in this transaction. You may direct any complaints concerning violations of your rights listed in this Part II to the Connecticut Department of Banking.

III. Our Policy On Interim Financing: We are required by law to tell you that we have a policy of only offering what is known as "interim financing" on a case by case basis at our discretion. "Interim financing" means short term loans, the proceeds of which are used to purchase a 1-4 family residence and which is due and payable when you sell your current residence.

Our Home Equity Line of Credit product is not intended for use as interim financing. We generally offer interim financing on a case-by-case basis, and usually only in connection with a separate purchase-money loan transaction undertaken with us. If you need interim financing, please let us know, and we will provide you with more information on what types of interim financing products may be available from us, if any.

IV. Absence Of A "Rate Lock-In" Agreement: A "Mortgage Rate Lock-In" is an agreement where we agree to give you a particular rate, number of points or specified variable rate terms, provided that you close the loan within a specified period. None of the terms are locked-in (or guaranteed) on a Home Equity Line of Credit product until closing. By accepting this disclosure you understand and agree that we are not offering a Mortgage Rate Lock-In Agreement on the product for which you have applied.

Customer Acknowledgement Concerning Delivery of Certain Disclosures

Home Equity Line of Credit

By Signing below, you acknowledge receiving a copy of the following disclosures:

(A) Home Equity disclosure including "When Your Home is on the Line: What you should Know About Home Equity Lines of Credit."

(B) "Important Terms of Our Home Equity Line of Credit Account."

(C) Notice of "Appraisal of Your Property, Your Right to Lawyer, Interim Financing and Absence of Rate Lock Agreement."

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Signature (Applicant) Date

______________________________ __________

Signature (Co-Applicant) Date