Federally Insured Savings and Loan Institutions and Federally Chartered Savings Banks
Office of Thrift Supervision
Consumer Programs
1700 G Street, N.W., 6th Floor
Washington, DC 20552
(800) 842-6929
www.ots.treas.gov

Federal Credit Unions
National Credit Union Administration
Office of Public and Congressional Affairs
1775 Duke Street
Alexandria, VA 22314
(703) 518-6330
www.ncua.gov

For state-chartered credit unions, contact your state's regulatory agency.

Mortgage Companies and Other Lenders
Federal Trade Commission
Consumer Response Center
600 Pennsylvania Avenue, N.W.
Washington, DC 20580
(877) FTC-HELP (877-382-4357, toll free)
www.ftc.gov

For More Information

State Banks that Are Members of the Federal Reserve System
Division of Consumer and Community Affairs
Mail Stop 801
Federal Reserve Board
Washington, DC 20551
(202) 452-3693
www.federalreserve.gov

Federally Insured State Non-Member Banks and Savings Banks
Federal Deposit Insurance Corporation
Consumer Response Center
2345 Grand Boulevard, Suite 100
Kansas City, Missouri 64108
(877) 275-3342
www.fdic.gov

National Banks and National Bank-Owned Mortgage Companies
Office of the Comptroller of the Currency
Customer Assistance Group
1301 McKinney Street
Suite 3450
Houston, TX 77010
(800) 613-6743
www.occ.treas.gov

If you are in need of cash?
Do you want to consolidate your debts?
Are you receiving home equity loan or refinancing offers that seem too good to be true?
Does your home need repairs that contractors tell you can be easily financed?

This information was prepared by the following federal agencies:
Department of Housing and Urban Development, Department of Justice, Federal Deposit Insurance Corporation, Federal Housing Finance Board, Federal Reserve Board, Federal Trade Commission, National Credit Union Administration, Office of Federal Housing Enterprise Oversight, Office of the Comptroller of the Currency, Office of Thrift Supervision.
Comparison shop. Comparing loan plans can help you get a better deal. Whether you begin your shopping by reading ads in your local newspapers, searching on the Internet, or looking in the phone book, ask lenders to explain the best loan plans they have for you. Beware of loan terms and conditions that may mean higher costs for you. Get answers to these questions:

**Interest Rate and Payments**

- What are the monthly payments? Ask yourself if you can afford them.
- What is the annual percentage rate (APR) on the loan? The APR is the cost of credit, expressed as a yearly rate. You can use the APR to compare one loan with another.
- Will the interest rate change during the life of the loan? If so, when, how often, and by how much?

**Term of Loan**

- How many years will you have to repay the loan?
- Is this a loan or a line of credit? A loan is for a fixed amount of money for a specific period of time; a line of credit is an amount of money you can draw as you need it.
- Is there a balloon payment—a large single payment at the end of the term after a series of low monthly payments? When the balloon payment is due, you must pay the entire amount.

**Points and Fees**

- What will you have to pay in points and fees? One point equals 1 percent of the loan amount (1 point on a $10,000 loan is $100). Generally, the higher the points, the lower the interest rate. If points and fees are more than 5 percent of the loan amount, ask why. Traditional financial institutions normally charge between 1 and 3 percent of the loan amount in points and fees.
- Are any of the application fees refundable if you don’t get the loan?
- How and how much will the lender or broker be paid? Lenders and brokers may charge points or fees that you must pay at closing or add on to the cost of your loan, or both.

**Penalties**

- What is the penalty for late or missed payments?
- What is the penalty if you pay off or refinance the loan early (that is, is there a prepayment penalty)?

**Credit Insurance**

- Does the loan package include optional credit insurance, such as credit life, disability, or unemployment insurance? Depending on the type of policy, credit insurance can cover some or all of your payments if you can’t make them. Understand that you don’t have to buy optional credit insurance—that’s why it’s called “optional.” Don’t buy insurance you don’t need.
- Credit insurance may be a bad deal for you, especially if the premiums are collected up-front at the closing and financed as part of the loan. If you want optional credit insurance, ask if you can pay for it on a monthly basis after the loan is approved and closed. With monthly insurance premiums, you don’t pay interest and you can decide to cancel if the premiums are too high or if you believe you no longer want the insurance.

**Once You’ve Selected a Lender, Get the Following**

- A “Good Faith Estimate” of all loan charges. The estimate must be sent within 3 days of applying.
- Blank copies of the forms you’ll sign at closing, when the loan is final. Study them. If you don’t understand something, ask for an explanation.
- Advance copies of the forms you’ll sign at closing with the terms filled in. A week or two before closing, contact the lender to find out if there have been any changes in the Good Faith Estimate. By law, you can inspect the settlement statement (also called the HUD-1 or HUD-1A form) one day prior to closing. Study these forms. Write down any questions you want to ask.

**Think Twice before You Sign**

- Have a knowledgeable friend, relative, attorney, or housing counselor review the Good Faith Estimate and other loan papers before you sign the loan contract. Be sure the terms are the same ones you agreed to. For example, a lender should not promise one APR and then—with good reason—increase it at closing.
- Review the list of questions you’ve written down. Ask where these terms are covered in the loan contract. And ask for an explanation of any dollar amount or term you don’t understand. Don’t let anyone rush you into signing the loan contract.
- Make sure all promises, oral and otherwise, are put in writing. It’s only what’s in writing that counts.
- Get a copy of the documents you signed before you leave the closing.

**Know that You Have Rights under the Law**

**You Have 3 Business Days to Cancel the Loan**

If you’re using your home as security for a home equity loan (or for a second mortgage loan or a line of credit), federal law gives you 3 business days after signing the loan papers to cancel the deal—for any reason—without penalty. You must cancel in writing. The lender must return any money you have paid to date.

**Do You Think You’ve Made a Mistake?**

Has the 3-day period during which you may cancel passed and you’re worried that you’ve gotten in over your head? Do you think your loan fees were too high? Do you believe you were steered into monthly payments you can’t afford? Has your lender repeat