Wondering how to borrow using the equity in your home? Ask a Citizen.

The Citizens Guide to Home Equity Financing
We understand you have questions about home borrowing. We can help.

At Citizens Bank, we’re here with answers and expert guidance to make home borrowing clear, and to help you find the home equity solution that’s right for you. We offer competitive home equity rates, and helpful tips and tools.

We’ll guide you through the borrowing process, so you can find the home equity line of credit or home equity loan that best fits your situation. You can count on us for sensible lending, clear terms, and manageable payments. We make sure we’re upfront with all the information you need to understand the home equity process, so you can make smart, informed decisions about home financing.

If you have questions about the information in this booklet or about home equity financing, just ask us. Stop by your local branch or talk with one of our Home Loan Originators by calling 1-888-567-1518. You can also visit the Home Borrowing section of our website (citizensbank.com/loans). We’re here to help you along the way to successful home equity financing. It’s never too early to explore your options.

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Making the equity in your home work for you.

The equity in your home is the current market value minus the mortgage or other liens on the property. This equity may be a valuable asset that you may leverage for a variety of reasons. For example:

• Finance home improvements or repairs which could increase the value of your home
• Lower your overall monthly payment by consolidating high-interest debt
• Refinance for a higher loan amount and use those funds for big purchases such as a car
• Shorten or lengthen your term on an existing home equity line or loan
• Switch from your existing adjustable rate to a fixed rate
• Finance an education or important life events
• Cover unexpected emergencies

Plus, the interest you pay may be tax deductible – be sure to consult a tax advisor for more information.

We’ll help you choose the right home equity product.

We can help you determine the right home equity product to fit your unique needs and design a custom financing solution. We provide personal attention and expert guidance so you can make a well-informed decision, while helping to make the process clear from application to closing.

So should you choose a home equity line of credit or home equity loan? Here’s what you should know about each:

Home Equity Loan

A Home Equity Loan has a fixed interest rate that won’t change over the life of the loan. It has predictable monthly payments of principal and interest throughout the term of the loan. As you make your monthly payments, the loan balance decreases. And no matter how high rates may go, your interest rate stays the same. Our Home Equity Loans may be well suited for you if you like consistent payments and want to know exactly when your loan will be paid off. At Citizens Bank, we offer several terms so you can choose the one that’s right for you.

Home Equity Line of Credit (HELOC)

You may want to choose a home equity line of credit (sometimes abbreviated as HELOC) for its flexibility. It’s a revolving line of credit that lets you borrow what you need and take advantage of flexible repayment options. So as you pay down your balance, you can access that money again, if needed. The home equity line of credit lets you pay principal and interest or interest only on the portion of the line you use during the draw period. The draw period is the time during which you can borrow money from the line as needed. Monthly payments for home equity lines of credit may fluctuate as the rate is variable and based on how much of the line you use. You can access your funds via check, online banking or at a branch. Home equity lines of credit also let you make additional principal only payments at any time so you can lower your balance. At Citizens Bank, the annual fee is waived during the first year. After the draw period ends, principal and interest payments are required on the outstanding balance. This may result in a higher monthly payment during the repayment period.

Citizens Bank Home Equity Products – At A Glance

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<thead>
<tr>
<th></th>
<th>Home Equity Loan</th>
<th>Home Equity Line of Credit</th>
<th>Capped Rate Home Equity Line of Credit</th>
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<tr>
<td>Rate</td>
<td>• Fixed</td>
<td>• Variable</td>
<td>• Prime + 2 percentage points</td>
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<td></td>
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<td></td>
<td>• Cannot exceed the set cap during the seven year draw period</td>
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<tr>
<td>Term*</td>
<td>• 1st Lien – 10 years</td>
<td>• 10-year draw period</td>
<td>• 7-year draw period</td>
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<tr>
<td></td>
<td>• 2nd &amp; 3rd Lien – 10, 15 and 20 years</td>
<td>• 15-year repayment period requiring principal and interest payments</td>
<td>• 15-year repayment period requiring principal and interest payments</td>
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<tr>
<td>Loan Amounts</td>
<td>1st Lien: $50,000 - $500,000</td>
<td>$17,500 - $1,000,000</td>
<td>$17,500 - $1,000,000</td>
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<tr>
<td></td>
<td>2nd &amp; 3rd Lien: $10,000 - $500,000</td>
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<tr>
<td>Payment</td>
<td>• Fixed Principal &amp; Interest</td>
<td>• Interest Only</td>
<td>• Interest Only</td>
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<td>• Principal &amp; Interest thereafter</td>
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<tr>
<td>Disbursement</td>
<td>Lump Sum</td>
<td>Access available funds as needed</td>
<td>Access available funds as needed</td>
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<tr>
<td>Annual Fees*</td>
<td>N/A</td>
<td>• No annual fee for the first year</td>
<td>• No annual fee for the first year</td>
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<td></td>
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<td>• $50 annual fee after the first year</td>
<td>• $50 annual fee after the first year</td>
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<tr>
<td>Escrow Account Required</td>
<td>1st Lien - Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td></td>
<td>2nd &amp; 3rd Liens - No</td>
<td></td>
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<tr>
<td>Prepayment Fee*</td>
<td>Only if the account is closed within first 36 months</td>
<td>Only if the account is closed within first 36 months</td>
<td>Only if the account is closed within first 36 months</td>
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`What you should know about Home Equity Lines of Credit and Disclosure Booklet` outlines all the current terms and costs.

*See back panel for additional information.
Annual Percentage Rate (APR) versus Interest Rate

When you borrow, it’s important to know the Annual Percentage Rate (APR), not just the interest rate. The interest rate is the cost to borrow the money. The APR is the total cost you’ll pay for the loan and its origination, including interest and any fees. This rate makes it easier for you to understand your total cost. If you’re comparing APRs, keep in mind that interest rates fluctuate daily.

Choosing a fixed rate or variable rate.

Fixed Rate

Fixed rate loans have an interest rate that doesn’t change over the life of the loan. This type of loan offers you predictable monthly payments of principal and interest, so if interest rates rise, you’ll have peace of mind knowing your rate won’t change. Fixed rate loans are generally well suited for borrowers who have a lower tolerance for financial risk or perhaps have a fixed or slowly increasing income.

Variable Rate

Variable rate loans do not have an interest rate that remains the same over its lifetime. This means your monthly payment may increase or decrease over time.

If you’re considering a variable rate, you want to be sure you can manage larger monthly payments if interest rates increase. So while variable rates may typically be lower than fixed rates, the possibility of increasing rates should be carefully considered. However, you have the option to pay the principal down at any time to lower your payments.

The home equity line of credit is a variable rate loan. We base our rate upon the Prime Rate (Index) as published in The Wall Street Journal in the listing of “Money Rates” on the last business day of the month. Your specific rate is then determined by adding or subtracting what’s called your margin to or from the Prime Rate. Your margin will be calculated during the application process.

Your margin is based upon several factors including FICO® score, line amount, loan-to-value, lien position, bank relationship and any minimum draw required. In order to determine your rate you will add or subtract your margin from the Prime Rate. Your margin will not change during the draw period of the home equity line of credit.
Principal and Interest Payments vs. Interest-Only Payments

**Home Equity Loan (Fixed Rate)**

The home equity loan fixed monthly payment is calculated so you pay the same amount each month throughout the term of the loan. However, if your loan is in first lien position, taxes and insurance may also be collected with your monthly payment and put aside, in escrow, to automatically pay when they come due. The fixed monthly payment will change if your taxes and insurance change.

**Home Equity Lines of Credit (Variable Rate)**

With a revolving line of credit, you can borrow and pay against a home equity line of credit as needed up to your approved limit. During the draw period, you may select a principal and interest payment or an interest-only payment. The monthly payment is based only on the outstanding balance, not on the total approved credit line. You can always make payments directly to the principal at any time and when you pay down your home equity line of credit, it increases the available balance giving you access again to these funds during the draw period.

When you choose interest-only payments during your draw period, your monthly payment will be lower, giving you the flexibility to pay principal at your own pace.

Once the draw period comes to an end, any outstanding balance is then converted to a monthly principal and interest payment over a 15-year fixed repayment period. At any time you can pay down the principal to reduce the outstanding balance.

**The Capped Rate Home Equity Line of Credit**

If you’re interested in a home equity line of credit for its flexibility, but are concerned about rising interest rates, then our Capped Rate Home Equity Line of Credit® might be right for you. You can borrow what you need at an attractive variable rate. Although the rate may increase during the draw period, it will not exceed the capped rate. The capped rate is the maximum interest rate that will be charged.
Qualifying for a home equity line of credit or loan.

When it comes to qualifying for home equity lines of credit or home equity loans, lenders have specific guidelines and criteria to consider. All lenders look at the same basic factors to determine whether you qualify for a loan: credit history, property value, property type, income, assets, employment and debt-to-income ratio.

Credit History

Your credit history tells a lender about how much debt you have and your ability to manage it. Your history must demonstrate an ability to make payments on time. For this reason, lenders review your credit report and your credit score to look for things like:

• Bankruptcies, filed judgments or collections
• A history of late payments
• Too many loans or credit cards that are already at their credit limit

Credit Score

While it’s true that if your credit score is high you may receive better rates and have more options, a lower credit score doesn’t necessarily mean you won’t qualify for a home equity line of credit or home equity loan. Credit is one of many factors in the decision process, so this alone does not prevent you from getting a home equity line of credit or loan.

By law, the three nationwide credit reporting companies must provide you a free copy of your credit report every 12 months. You can visit the Annual Credit Report site at www.annualcreditreport.com or call 877-322-8228 to obtain a copy from all three companies or contact them individually at:

Equifax, P.O. Box 740241 Atlanta, GA 30374
800-685-1111 | www.equifax.com

Experian, P.O. Box 2002 Allen, TX 75013
888-397-3742 | www.experian.com

Trans Union, P.O. Box 1000 Chester, PA 19022
800-888-4213 | www.transunion.com

When you apply for a home equity loan or home equity line of credit, the lender obtains a copy of your credit bureau report which includes your credit score.

Understanding Loan-to-Value

Loan-to-value (LTV) ratio is the total dollar amount of existing loan balances on the property divided by its current fair market value. LTV is used to determine how much you’re eligible to borrow and is one of the factors used in determining your interest rate.

Here is an example of how much you can borrow based on LTV:

If the fair market value of your property is $200,000 and the lender allows you to borrow up to 80% LTV, your maximum loan amount would be $160,000. If the total mortgage balance owed on the property is $100,000, you would subtract this amount from the $160,000 which leaves you a maximum of $60,000 in available equity to borrow.

When applying for a loan, you’ll be asked for a preliminary estimate of your home’s value. You can use your best estimate or use a home value estimator tool online. However, we’ll obtain an appraisal or property valuation to determine your home value during the application process.

Employment

A stable source of income is important as it helps us verify your ability to repay a new loan while you continue payments on your existing debts. Like many other lenders, we’ll ask you to provide a full two-year employment history, including names, addresses, and phone numbers of prior employers. You may also need to explain any gaps in your employment history.

Income

If you’re a salaried or hourly employee, you’ll need to provide your two most recent pay stubs and your two most recent W-2s. If you’re self-employed or have other sources of income, you may be required to provide additional documentation and/or two years of your most recent federal income tax returns with all schedules.

Debt

A home equity line of credit or home equity loan is considered secured debt because your home is the collateral used to secure the loan. In order for a lender to responsibly determine whether you can afford this secured debt, you may be asked to provide details on all your other loan payments such as car loans or leases, student loans, credit cards, alimony and child support.

Debt-to-Income Ratio

The Debt-to-Income Ratio (DTI) is a comparison of the total of all your monthly debts, both secured and unsecured, including the payment for the new home equity line or loan divided by your total income. The qualifying ratio helps us assess your ability to repay the home equity line or loan.

Here’s an example of how the DTI ratio works: If your total monthly debt payments add up to $1,505, and your total monthly gross income is $3,500, then divide $1,505 by $3,500 to determine your DTI: DTI = $1,505 / $3,500 = 0.43 or 43%
Application Process.
After you decide on the product that is best for you, you’ll complete an application. At this time, your credit report will be obtained. As a result, you’ll receive disclosures that reference the credit information we received.

In addition, you’ll receive disclosures explaining the terms and conditions of the home equity loan or line of credit for which you are applying. If you have any questions or if there is anything you don’t understand about the information outlined in your disclosures or this guide, you should speak with your home lending specialist at Citizens Bank. We’re here to help answer any questions you may have.

Once you’ve submitted your home equity line of credit or loan application, you’ll be contacted by a loan processor who’ll work with you throughout the process and guide you through the next steps.

Information Verification
You may be asked to supply additional documentation to help us verify the information provided on your application. Documents you may be asked to provide can be found starting on page 16.

Home Appraisal/Property Valuation
We require an appraisal or property valuation that provides us with the fair market value of the property being used to secure the loan. This information helps us determine the loan-to-value (LTV) as defined in the Understanding Loan-to-Value section. The LTV is used to help qualify you for a home equity line of credit or loan. After your application is reviewed, we’ll be able to determine the type of appraisal or property valuation needed. If an interior appraisal is required, the appraiser will contact you to schedule an appointment at a time that’s convenient for you.

If the appraisal is for a home equity loan or home equity line of credit in first lien position, you will receive a copy of the appraisal or property valuation. For all other home equity loans and all other home equity lines of credit, you can request a copy of the appraisal or property valuation at no cost. If you have questions regarding these documents, please call us at 1-866-888-2206.
Getting Approved

After all of your information is reviewed including your home appraisal and your ability to repay the loan, you’ll be notified whether your application for a home equity line of credit or home equity loan was approved.

If for some reason your application was not approved, you’ll receive a written explanation as to the reasons why.

Homeowner’s Insurance

Homeowner’s hazard insurance coverage is required by all lenders to protect your home against loss due to legal liability, fire, theft, or natural causes. We will request a copy of your insurance binder or declaration page for our records.

Flood Insurance

Lenders are required by federal law to obtain a flood certification for any loan secured by residential real estate. If your property is located within an area that the Federal Emergency Management Agency (FEMA) has determined to be at risk for flooding, you will need to provide proof of adequate flood insurance coverage.

Potential Costs

There may be some additional costs incurred and documentation required when applying for a home equity line of credit or home equity loan. Additional details will be provided by your loan processor.

For Power of Attorney (POA):

- A copy of the POA is required for review
- At closing, the original POA is required as it may need to be recorded with the mortgage deed
- Recording fees may apply and are the borrower’s responsibility

For Property Held in Trust

- A copy of the complete, executed trust documents showing the notarization is required for the processing of your loan application. You should retain your original trust documents.
- The following fees apply:
  - Trust Document Review
  - Trustee Certificate(s) Recording

For a complete list of all fees that may be incurred during the application, borrowing and repayment process, please ask your home lending specialist for our “What you should know about Home Equity Lines of Credit and Disclosure Booklet”.

Pre-Closing

If your home equity line of credit or loan is approved, you’ll be contacted to review your terms and other important information as well as to schedule your closing. We’ll work with you to determine a closing date, location, and time that’s convenient for you.

Closing

Closing is the final and most critical step in the process. It’s important to review your closing documents thoroughly before signing to make sure you understand all of the terms and conditions. We’re here to help if you have any questions about your closing documents.

If your primary residence is securing the home equity line of credit or loan you have three business days (Monday – Saturday, excluding Federal holidays) after signing your documents to cancel the transaction. This is known as the right of rescission. If you do not exercise your right of rescission, the funds are disbursed on the fourth business day.

If a second home or vacation home is securing the home equity line of credit or loan, the three-day rescission does not apply and the funds are disbursed on the following business day.

On the disbursement date, if there are any lien payoffs or other installment loan payoffs, those funds will be forwarded to the creditor. If there are payoffs to creditors for revolving debt (i.e. credit cards), those checks will be mailed overnight to you and you are responsible for getting them to the creditors. Any remaining funds will be deposited into the account indicated on the application or mailed overnight to you.

After Closing

After you’ve closed your home equity line of credit or loan, our servicing team is available if you have any questions at all, please call us. We’re ready to help. Just call:

Home Equity Line of Credit: 1-800-708-6680
Home Equity Loan: 1-800-234-6002

Prepayment Fee

Due to the lender costs to originate a new home equity line of credit or loan, like many lenders, we charge a prepayment fee if the account is closed within the first 36 months. However, if you refinance that home equity line of credit or loan with us, the prepayment fee is waived. This prepayment fee is not charged in Pennsylvania or New Jersey.

CALL 1-888-567-1518, Option 2 • CLICK citizensbank.com/loans • COME IN To your local branch
Questions or ready to get started? Ask a Citizen.
While taking out a home equity line of credit or loan can seem like a complex process, we know that having helpful specialists on your side can make all the difference. At Citizens Bank, we’re dedicated to providing personal guidance and making the process clear and easy to understand so you can move forward with confidence. Let’s talk – because it all begins with a conversation.

If you have questions about the information in this booklet or about home financing, ask us. Stop by your local branch, or speak with one of our home loan originators by calling 1-888-567-1518. You can also visit the Home Borrowing section of our website (citizensbank.com/loans) or refer to “What you should know about Home Equity Lines of Credit and Disclosure Booklet”. We’re here to help you along the way to successful home equity financing. That’s helping you bank better.

What you may be asked to provide
When you apply for a home equity line of credit or loan, you’ll need to provide personal identification as well as copies of certain financial documents. Below is a useful listing of some of the information you may be asked to provide.

Personal Identification
- Valid driver’s license, passport or government-issued identification card
- Social Security Number or Tax Identification Number

Employment Information
- Name and address of your employers for the past two years

Self-employment Information
- One to three years of business income tax returns and all schedules
- Proof of self-employment for at least two years (business license/proof of liability insurance/letter from accountant)
- Business financial statements
- Additional documentation may be requested

Income Information
- Two most recent paystubs
- Two years most recent W-2’s
- Two years of your most recent federal income tax returns with all schedules
- Additional documentation may be requested if applicable or as needed (i.e. award letters, social security statements, bank statements, real estate schedules, etc.)

Insurance Information
- Name, phone number and address of your Homeowner’s Hazard Insurance agent
- Homeowner’s Insurance Binder or Declaration Page
- Proof of Flood Insurance, if applicable
- Amount of any homeowner association dues or condo fees

Other Information
- Complete executed copy of trust documents, if applicable
- Complete executed copy of Power of Attorney, if applicable

Additional documentation may be requested if needed.
Rate and terms may change at any time. Available on 1- to 4-family owner occupied properties, condominiums, and 2nd/vacation home owner occupied properties. Subject property ownership for a minimum of six months may be required and not available for homes currently listed for sale. Properties listed for sale must be off the market for at least 90 days prior to application. Property insurance required. Flood insurance may be required. Prepayment fee of $350 if closed within first 36 months. No prepayment fee in NJ and PA.

**Home Equity Line of Credit:** Variable APR based on The Wall Street Journal “Prime Rate” (“Prime”) published on the last business day of the month (3.50% APR as of 5/31/2016), Maximum APR 21% (18% in NJ and PA). Minimum APR 2.50%. Rate and terms vary by property type, state where property is located, loan amount, credit history, lien position, loan-to-value (LTV) ratio and draw amount at closing. Minimum line amounts apply. No annual fee first year, then $50 per year. A trust review fee ranging from $75 to $100 as well as recording fees, ranging from $10 to $175, may apply for properties held in trust. Interest-only minimum payments required during the 10-year draw period. After the 10-year period expires, your balance will be converted to a principal and interest payment at a rate in effect at that time with a 15-year fixed repayment period. 

**Home Equity Loan:** An equity loan of $50,000 with a 10-year term at 4.13% APR results in 120 monthly payments of $510. Payment example does not include escrow for property related taxes and insurance that must be paid separately.

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Mortgages and Home Equity Loans are offered and originated by Citizens Bank, N.A. Citizens Bank is a brand name of Citizens Bank, N.A. (NMLS ID# 433960) and Citizens Bank of Pennsylvania (NMLS ID# 522615). Citizens Bank, N.A. and Citizens Bank of Pennsylvania are affiliated. All loans are subject to approval. All product and program details are subject to change. © 2016 Citizens Financial Group, Inc. All rights reserved. HLBR2056M_479755_Brrw 457956