



Home Equity Disclosure Booklet

As of 8/1/2025

Thank you for selecting Liberty Bank for your Home Equity financing.

As you may know, the Federal Government has requested the assistance of banks and other financial institutions in the fight to prevent the funding of terrorism and money laundering activities. Federal law now requires all financial institutions to obtain, verify and record information that identifies each individual or business that opens an account. What does this mean for you? Simply, when you open a new account (deposit or loan) at Liberty Bank, you will be asked to provide your name, address, date of birth, and other information that will allow us to identify you. We will also ask to see your driver's license or other identifying documents.

Based on the product you have applied for, certain disclosures are required by Federal and State law, and others are required by bank policy.





Home Equity Disclosure Booklet

For our Home Equity Line of Credit, certain disclosures are required by Federal and State law, and others are required by bank policy. All Home Equity Loan and Line products are subject to credit and underwriting approval.

Liberty Bank NMLS#459028

Table of Contents

Disclosures that apply to Fixed Home Equity and Home Equity Line of Credit Products:

Notice to Home Equity Applicants.....	3
How We Protect Your Personal Information ("Privacy Notice").....	4
Notification of Credit Information Dispute.....	6

Disclosures that apply ONLY to our Home Equity Line of Credit Products

Important Terms of our Home Equity Line of Credit Account.....	7
Supplement to Important Terms of our Home Equity Credit Line Account.....	9
Important Terms of our SoLo Home Equity Credit Line Account.....	12
Supplement to Important Terms of our SoLo Home Equity Credit Line Account.....	14
What you should know about Home Equity Lines of Credit.....	17





Notice to Home Equity Applicants

The words "you" and "your" refer to each and all persons who are applying for one of our Home Equity Credit Line Accounts or Fixed Rate Home Equity Loans. The words "we", "us", and "our" refer to Liberty Bank.

I. APPRAISAL REPORT – When secured by a 1-4 family dwelling in first lien position

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

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 a 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 a short term loan, 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 or Fixed Rate Home Equity Loan is not intended for use as interim financing. 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, if you close the loan within a specified period. None of the terms of our Home Equity Line of Credit or Fixed Rate Home Equity Loan products are locked-in (or guaranteed) for you until closing. You understand and agree that we are not offering a Mortgage Rate Lock-In Agreement on the loan for which you have applied.

V. EARLY TERMINATION AND ANNUAL FEE

- Early Termination Fee of \$500 will be assessed if you pay-off and close-out your **Liberty Home Equity Line, SoLo Home Equity Line of Credit** or your **Fixed Rate Home Equity Loan** before the second anniversary of the date of the loan note. The Early Termination Fee only applies to loan amounts of \$25,000 or greater.
- Annual Fee of \$50.00 due each year of the Draw Period beginning with the 12th billing cycle applies to our HELOC products including the **Liberty Home Equity Line, HELOC up to \$24,999 and SoLo Home Equity Line of Credit. The fee does not apply to the Good Neighbor Home Equity Line of Credit.**

VI. TRUST FEES

- Trust review fees and Recording fees may apply when applicable.





How We Protect Your Personal Information (“Privacy Notice”)

Rev. March 2024

FACTS	WHAT DOES LIBERTY 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"> • Social Security number and income • Account balances and payment history • Credit history and credit scores
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 Liberty Bank chooses to share; and whether you can limit this sharing.

Reasons we can share your personal information	Does Liberty Bank share?	Can you limit this sharing?
For our everyday business purposes —such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus	Yes	No
For our marketing purposes —to offer our products and services to you	Yes	No
For joint marketing with other financial companies	Yes	No
For our affiliates' everyday business purposes —information about your transactions and experiences	Yes	No
For our affiliates' everyday business purposes —information about your creditworthiness	Yes	Yes
For our affiliates to market to you	Yes	Yes
For nonaffiliates to market to you	Yes	Yes

To limit our sharing	<ul style="list-style-type: none"> • Call toll-free 1-888-570-0773 - our menu will prompt you through your choice(s) or • Visit us online: www.liberty-bank.com/privacy-preferences <p>Please note: 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 toll-free 1-888-570-0773





Rev. March 2024

Page 2

Who we are

Who is providing this notice?

Liberty Bank, Liberty Bank Mortgage Corporation, Community Realty Investors, Inc., Church Street OREO One, LLC

What we do

How does Liberty Bank protect my personal information?

To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings. We also maintain other physical, electronic and procedural safeguards to protect this information and we limit access to information to those employees for whom access is appropriate.

How does Liberty Bank collect my personal information?

We collect your personal information, for example, when you

- open an account or deposit money
- pay your bills or apply for a loan
- use your credit or debit card

We also collect your personal information from others, such as credit bureaus, affiliates, or other companies.

Why can't I limit all sharing?

Federal law gives you the right to limit only

- Sharing for affiliates' everyday business purposes – information about your creditworthiness
- Affiliates from using your information to market to you
- Sharing for nonaffiliates to market to you

State laws and individual companies may give you additional rights to limit sharing. See below for more information on your rights under state law.

What happens when I limit sharing for an account I hold jointly with someone else?

Your choices will apply to you alone unless you tell us otherwise.

Definitions

Affiliates

Companies related by common ownership or control. They can be financial and nonfinancial companies. Our affiliates include:

- *Liberty Bank Mortgage Corporation*
- *Community Realty Investors Inc.*
- *Church Street OREO One, LLC.*

Nonaffiliates

Companies not related by common ownership or control. They can be financial and nonfinancial companies.

- *Nonaffiliates we share with can include companies that provide services necessary to effect, administer, or enforce a transaction that you request or authorize; credit bureaus; law enforcement officers, government agencies, courts and marketing firms.*

Joint marketing

A formal agreement between nonaffiliated financial companies that together market financial products or services to you.

- *Our joint marketing partners include credit card companies.*





Rev. March 2024

Page 3

Other important information

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

For Nevada Customers. The following notice is required to be made under Nevada law to NV customers. At any time, you may request to be placed on our internal "Do Not Call" list by calling Liberty Bank at 1-888-570-0773. For more information about the Nevada "do not call" notice requirement, you may also contact the Bureau of Consumer Protection, Office of the Nevada Attorney General, 555 E. Washington Avenue, Suite 3900, Las Vegas, NV 89101; phone: 1-702-486-3132 or email BCPINFO@ag.state.nv.us.

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

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

For Vermont Customers.

- We will not disclose information about your creditworthiness to our affiliates and will not disclose your personal information, financial information, credit report, or health information to nonaffiliated third parties to market to you, other than as permitted by Vermont law, unless you authorize us to make those disclosures.
- Additional information concerning our privacy policies can be found at www.liberty-bank.com/privacy-preferences or call 1-888-570-0773.

Notification of Credit Information Dispute

If you believe that we, Liberty Bank, have inaccurate information concerning your account with us and that we may send or have sent such information to a consumer reporting agency, please write to us so that we can investigate and, where appropriate, take certain corrective actions. You must write to us at: Liberty Bank, Loan Workout Department, 315 Main Street, Middletown, CT 06457.

In your correspondence, please describe the specific information you believe to be inaccurate. To protect your rights, you must send your correspondence to the address shown above. Other methods of communication may not preserve certain rights of yours under the Fair Credit Reporting Act.





Important Terms of our Home Equity Credit Line Account (Including the accompanying Supplement to these Important Terms)

This disclosure contains important information about our Home Equity Line of Credit Account. (For definitions of some of the terms used, see paragraph 10 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 an agreement with us, you are entitled to a refund of any fees you paid to us or anyone else in connection with your application for the account.

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"), and charge you certain fees if:

You engage in fraud or material misrepresentation in connection with the account.

You do not meet the repayment terms.

Your action or inaction adversely affects the collateral for the account or our rights in the collateral.

Each of these is called an "event of default."

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

The value of your home securing the account declines significantly below its appraised value for purposes of the account.

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" exists.

Government action prevents us from imposing the annual percentage rate provided for, or impairs our security interest such that the value of the interest is less than 120 percent of the credit limit.

A regulatory agency has notified us that continued advances would constitute an unsafe and unsound business 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 upon the occurrence of specified events.

4. Draw Period: You can obtain credit advances for 9 years and 10 months. This is called the "Draw Period." The "Draw Period" does not include the "Final Period" described in paragraph 5 below.

5. Payments: Payments will be due monthly under your agreement. The way we calculate your minimum payment will depend on how long you have had the account as described below. We calculate how long you have had the account based on the number of Billing Cycles that have occurred. A "Billing Cycle" is the regular time period during which we look at your account activity for billing purposes (generally this is approximately one month).

(a) **Draw Period.** Beginning with your first Billing Cycle and ending with your one hundred eighteenth (118th) Billing Cycle (the "Draw Period"), (approximately the first 10 years of the account) the minimum payment each month will equal interest and fees shown on the billing statement, plus any unpaid minimum payments from prior billing statements. This minimum payment will not repay any principal that is outstanding on your account.

(b) **Final Period.** Beginning with your one-hundred-nineteenth (119th) Billing Cycle and for approximately 20 years and 2 months after that (the "Final Period"), the minimum payment each month will equal (i) one two-hundred-forty-second (1/242nd) of the principal at the close of the one-hundred-eighteenth (118th) Billing Cycle, (ii) plus interest and fees shown on the billing statement, plus (iii) any unpaid minimum payments from prior billing statements. Because no advances are allowed during this Final Period, this minimum payment will repay the principal that is outstanding on your account by the end of the Final Period.





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

(a) Annual Fee: \$50.00 due each year of the Draw Period beginning with the 12th billing cycle.

(b) If, at your request, we terminate the Account and release the Mortgage on or before the second anniversary of the Date of this Agreement, you agree to pay us an early termination fee equal to Five Hundred Dollars (\$500). This early termination fee does not apply to the HELOC up to \$24,999 program or the Good Neighbor Home Equity Line of Credit

(c) Homeowner's and/or Flood Insurance: You must carry insurance on the property that secures the account.

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

8. **Variable-Rate Feature:** The account has a variable-rate feature, and 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. 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 rate.

Ask us for the current index value and annual percentage rate. After you open an account, rate information will be provided on periodic billing statements that we send you.

Please see the accompanying Supplement to these Important Terms for important additional information about our Home Equity Line of Credit Account.

9. **Definitions:** "We," "us" and "our" refer to Liberty Bank. "You" and "your" refer to each person who signs the "agreement." The "agreement" is the document that creates the account. "Your home" refers to the dwelling securing the account without regard to who owns it.





Supplement to Important Terms of our Home Equity Credit Line Account

This supplement contains important information about our Home Equity Credit Line Accounts. Please read this supplement carefully and keep a copy for your records.

1. Variable-Rate Feature: Liberty Bank offers three different types of Home Equity Credit Line Accounts, as follows:

- **HELOC up to \$24,999 Program:** We offer credit limits from \$10,000 to \$24,999 with a monthly variable-rate feature where the Annual Percentage Rate is adjusted each Billing Cycle to equal the index described in the accompanying **"Important Terms of our Home Equity Credit Line Account"** ("Important Terms") plus a margin. Ask us for the amount of our current margin.

We sometimes refer to this Home Equity Credit Line program in this Supplement as the **"HELOC up to \$24,999 Program."** Under this **HELOC up to \$24,999 Program**, your Annual Percentage Rate (corresponding to the periodic rate) and minimum monthly payment may change once each Billing Cycle, as the value of the index changes.

- **Liberty Home Equity Line Program:** We offer credit limits from \$25,000 to \$500,000 with a monthly variable-rate feature where the Annual Percentage Rate is adjusted each Billing Cycle to equal the index described in the accompanying **"Important Terms" minus** a margin. We sometimes refer to this Home Equity Credit Line program in this Supplement as the **"Liberty Home Equity Line Program."** Ask us for the margin that we currently deduct from the index under this Liberty Home Equity Line program. Under this Liberty Home Equity Line program, your Annual Percentage Rate (corresponding to the periodic rate) and minimum monthly payment may change once each Billing Cycle, as the value of the index changes.

- **Good Neighbor Home Equity Line of Credit:** We offer credit limits from \$1,000 to \$50,000 with a monthly variable-rate feature where the Annual Percentage Rate is adjusted each Billing Cycle to equal the index described in the accompanying **"Important Terms"** with no added margin. We sometimes refer to this Home Equity Credit Line program in this Supplement as the **"Good Neighbor Home Equity Line of Credit Program."** Under this Liberty Home Equity Line of Credit program, your Annual Percentage Rate (corresponding to

the periodic rate) and minimum monthly payment may change once each Billing Cycle, as the value of the index changes.

2. Minimum Interest Rate for all programs: Under each of the three Home Equity Credit Line programs described above, the **ANNUAL PERCENTAGE RATE** cannot decrease to less than 3.00%. (We call this the "lifetime floor.")

- **Maximum interest rate for all programs:** Under each of the three Home Equity Credit Line programs described above, the **ANNUAL PERCENTAGE RATE** cannot increase to more than 18%. (We call this the "lifetime cap.") Apart from this "lifetime cap," and apart from the "lifetime floor", there is no limit on the amount by which the rate can change during any one-billing cycle.

3. Additional Information about the Combined Loan-to-Value: Under the HELOC up to \$24,999 Program and the Liberty Home Equity Line Program described above, the total maximum combined loan-to-value ("CLTV") based on the estimated market value of your home as of the date we open the account (taking into account any mortgage loan that may be ahead of our Home Equity Line of Credit mortgage and also the Home Equity Line of Credit limit) is as follows:

- Owner Occupied Primary Residence - CLTV between 70% to 80.00% dependent on total outstanding liens and FICO score. Ask us for more details.
- Owner Occupied Seasonal/Second Home - CLTV between 65% to 75% dependent on total outstanding liens and FICO score. Ask us for more details.

Under the Good Neighbor Home Equity Line Program described above, the total maximum combined loan-to-value ("CLTV") based on the estimated market value of your home as of the date we open the account (taking into account any mortgage loan that may be ahead of our Good Neighbor Home Equity Line of Credit) is 125%.





Maximum CLTV's will apply based upon if the first lien is with another lender and the total combined First Mortgage balance and proposed Home Equity Line of Credit limit. Ask us for more details.

4. Minimum Payment Examples:

HELOC up to \$24,999 Program: If you took one single \$10,000 advance at the beginning of the Draw Period, at an **ANNUAL PERCENTAGE RATE** of 8.75% (the index value as of July 1, 2025 plus a margin of 1.25 percentage point¹), you would make:

118 minimum payments of \$71.92 each during the Draw Period; and

242 minimum payments ranging from \$113.24 to \$41.62 during the Final Period.

Minimum Payment Examples:

Liberty Home Equity Line Program: If you took one single \$10,000 advance at the beginning of the Draw Period, at an **ANNUAL PERCENTAGE RATE** of 7.00% (the index value as of July 1, 2025 minus a margin of .50 percentage points²) you would make:

118 minimum payments of \$57.53 each during the Draw Period; and

242 minimum payments ranging from \$98.85 to \$41.56 during the Final Period

Good Neighbor Home Equity Line Program: If you took one single \$10,000 advance at the beginning of the Draw Period, at an **ANNUAL PERCENTAGE RATE** of

7.50% (the index value as of July 1, 2025 plus a margin of 0 points³), you would make:

118 minimum payments of \$61.64 each during the Draw Period; and

242 minimum payments ranging from \$102.96 to \$41.58 during the Final Period

5. Maximum Payment Examples:

- If you took one single \$10,000 advance at the beginning of the Draw Period, at the maximum

18% **ANNUAL PERCENTAGE RATE**, the minimum monthly payment would be \$147.95 during the Draw Period. If you had an outstanding balance of \$10,000 at the beginning of the Final Period, at the maximum 18% **ANNUAL PERCENTAGE RATE**, the minimum monthly payment at the beginning of the Final Period would be \$189.27.

The maximum 18% **ANNUAL PERCENTAGE RATE** could be reached as early as the start of the second Billing Cycle of the Draw Period and could also be reached as early as the start of the Final Period.

6. **Historical Example:** The table on the following page shows how the Annual Percentage Rate and minimum monthly payments would have changed based on changes in the index over the last 15 years, for each of our three different Home Equity Credit Line programs. The index values are from the Wall Street Journal most recently published on the last business day of June of each year. While only one payment amount per year is shown, payments would have varied slightly during each year of the Final Period. Years 2011 through 2020 show the Annual Percentage Rate and the minimum monthly payments during the Draw Period. Years 2021 through 2025 show the Annual Percentage Rate and one of the minimum monthly payments during the first five years of the Final Period.

For the three loan programs, the table assumes **one single \$10,000 advance** taken at the beginning of the Draw Period and that through 2020 the balance remained at exactly \$10,000. The table also assumes that no additional loan advances were taken, that only the minimum payments were made, and that the index and Annual Percentage Rate remained constant during each year. The table does not necessarily indicate how the index or your payments will change in the future.





			<u>HELOC up to \$24,999 Program</u>		<u>Liberty Home Equity Line Program</u>		<u>Good Neighbor Home Equity Line Program</u>	
			<u>Annual Percentage Rate⁴</u>	<u>Minimum Monthly Payment (a)</u>	<u>Annual Percentage Rate⁵</u>	<u>Minimum Monthly Payment (a)</u>	<u>Annual Percentage Rate⁶</u>	<u>Minimum Monthly Payment (a)</u>
Year	Index							
	2011	3.25	4.50	\$36.99	3.00*	\$24.66	3.25	\$26.71
	2012	3.25	4.50	\$36.99	3.00*	\$24.66	3.25	\$26.71
	2013	3.25	4.50	\$36.99	3.00*	\$24.66	3.25	\$26.71
	2014	3.25	4.50	\$36.99	3.00*	\$24.66	3.25	\$26.71
	2015	3.25	4.50	\$36.99	3.00*	\$24.66	3.25	\$26.71
	2016	3.50	4.75	\$39.04	3.00*	\$24.66	3.50	\$28.77
	2017	4.25	5.50	\$45.21	3.75	\$30.82	4.25	\$34.93
	2018	5.00	6.25	\$51.37	4.50	\$36.99	5.00	\$41.10
	2019	5.50	6.75	\$55.48	5.00	\$41.10	5.50	\$45.21
	2020	3.25	4.50	\$77.85	3.00*	\$65.67	3.25	\$67.70
Final Period (a)	2021	3.25	4.50	\$76.02	3.00*	\$64.45	3.25	\$66.38
	2022	4.75	6.00	\$85.14	4.25	\$72.36	4.75	\$76.01
	2023	8.25	9.50	\$106.82	7.75	\$94.76	8.25	\$98.20
	2024	8.50	9.75	\$104.57	8.00	\$93.22	8.50	\$96.46
	2025	7.50	8.75	\$94.52	7.00	\$83.88	7.50	\$86.92

(a) This table does not show the remaining payments over the last 15 years of the term of the account which would result in the repayment of the entire principal balance.

* Indicates floor rate

¹ This is a margin we have used recently in the HELOC up to \$24,999 program. Ask us for the amount of our current margin.

² This is margin we have used recently in the Liberty Home Equity Line program. Ask us for the amount of the margin we currently deduct from the Index under the Liberty Home Equity Line program.

³ This margin reflects the lower margin that may be available with this product. Ask us for the Amount of the current margin.

⁴ This reflects a 1.25% margin we have used recently in the HELOC up to \$24,999 Program. Ask us for the amount of our current margin.

⁵ This reflects a (-.50%) margin we have used recently in the Liberty Home Equity Line program. Ask us for the amount of the margin we currently deduct from the index under the Liberty Home Equity Line program.

⁶ This is a (0%) margin we have used recently in the Good Neighbor Home Equity Line Program. Ask us for the amount of our current margin.





Important Terms of our SoLo Home Equity Credit Line Account

(Including the accompanying Supplement to these Important Terms)

This disclosure contains important information about our SoLo Home Equity Credit Line Account. (For definitions of some of the terms used, see paragraph 10 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 an agreement with us, you are entitled to a refund of any fees you paid to us or anyone else in connection with your application for the account.

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"), and charge you certain fees if:

You engage in fraud or material misrepresentation in connection with the account.

You do not meet the repayment terms.

Your action or inaction adversely affects the collateral for the account or our rights in the collateral.

Each of these is called an "event of default."

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

The value of your home securing the account declines significantly below its appraised value for purposes of the account.

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" exists.

Government action prevents us from imposing the annual percentage rate provided for, or impairs our security interest such that the value of the interest is less than 120 percent of the credit limit.

A regulatory agency has notified us that continued advances would constitute an unsafe and unsound business 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 upon the occurrence of specified events.

4. Draw Period: You can obtain credit advances for 9 years and 10 months. This is called the "**Draw Period.**" The "**Draw Period**" does not include the "**Final Period**" described in paragraph 5 below.

5. Payments: Payments will be due monthly under your agreement. The way we calculate your minimum payment will depend on how long you have had the account as described below. We calculate how long you have had the account based on the number of Billing Cycles that have occurred. A "Billing Cycle" is the regular time period during which we look at your account activity for billing purposes (generally this is approximately one month).

(a) **Draw Period.** Beginning with your first Billing Cycle and ending with your one hundred eighteenth (118th) Billing Cycle (the "Draw Period") (approximately the first 10 years of the account) the minimum payment each month will equal interest and fees shown on the billing statement, plus any unpaid minimum payments from prior billing statements. This minimum payment will not repay any principal that is outstanding on your account.

(b) **Final Period.** Beginning with your one-hundred-nineteenth (119th) Billing Cycle and for approximately 20 years and 2 months after that (the "Final Period"), the minimum payment each month will equal (i) one two-hundred-forty-second (1/242nd) of the principal at the close of the one-hundred-eighteenth (118th) Billing Cycle, (ii) plus interest and fees shown on the billing statement, plus (iii) any unpaid minimum payments from prior billing statements. Because no advances are allowed during this Final Period, this minimum payment will repay the principal that is outstanding on your account by the end of the Final Period.





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

(a) Annual Fee: \$50.00 due each year of the Draw Period beginning with the 12th billing cycle.

(b) If, at your request, we terminate the Account and release the Mortgage on or before the second anniversary of the Date of this Agreement, you agree to pay us an early termination fee equal to Five Hundred Dollars (\$500).

(c) Homeowner's and/or Flood Insurance: You must carry insurance on the property that secures the account.

7. Tax Deductibility: You should consult a tax advisor regarding the deductibility of interest and charges under the account.

8. Variable-Rate Feature: The account has a variable-rate feature, and 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** for the first 12 full billing cycles is 5.99% and is not based on the index and margin used to make later rate adjustments.

The annual percentage rate after the 12 month introductory 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 rate.

Ask us for the current index value and annual percentage rate. After you open an account, rate information will be provided on periodic billing statements that we send you.

Please see the accompanying Supplement to these Important Terms for important additional information about our SoLo Home Equity Credit Line Account.

9. Definitions: "We," "us" and "our" refer to Liberty Bank. "You" and "your" refer to each person who signs the "agreement." The "agreement" is the document that creates the account. "Your home" refers to the dwelling securing the account without regard to who owns it.





Supplement to Important Terms of our SoLo Home Equity Credit Line Account

This supplement contains important information about our SoLo Home Equity Credit Line Account. Please read this supplement carefully and keep a copy for your records.

1. Special program features:

Rate Discount: **ANNUAL PERCENTAGE RATE** for the first 12 full billing cycles will be fixed at 5.99%.

2. Variable-Rate Feature:

- **SoLo HELOC Program:** We offer credit limits from \$50,000 to \$500,000 with a monthly variable-rate feature where the Annual Percentage Rate is adjusted each Billing Cycle to equal the index described in the accompanying "Important Terms" minus a margin. **Ask us for the amount of the margin that we currently subtract from the index under this program.** Under this program, your Annual Percentage Rate (corresponding to the periodic rate) and minimum monthly payment may change once each Billing Cycle, as the value of the index changes.

Minimum Interest Rate: After the introductory rate discount the **ANNUAL PERCENTAGE RATE** cannot decrease to less than 3.00%. (We call this the "lifetime floor.")

Maximum Interest Rate: The **ANNUAL PERCENTAGE RATE** cannot increase to more than 18%. (We call this the "lifetime cap.") Apart from this "lifetime cap," and apart from the "lifetime floor" there is no limit on the amount by which the rate can change during any one billing cycle.

3. Additional Information about the Combined Loan-to-Value:

The total maximum combined loan-to-value ("CLTV") based on the estimated market value of your home as of the date we open the account (taking into account any mortgage loan that may be ahead of our Home Equity Line of Credit mortgage and also the Home Equity Line of Credit limit) is as follows:

- Owner Occupied Primary Residence - CLTV between 70% to 80% dependent on total outstanding liens and FICO score. Ask us for more details.

- Owner Occupied Seasonal/Second Home - CLTV between 65% to 75% dependent on total outstanding liens and FICO score. Ask us for more details.

Maximum CLTV's will apply based upon if the first lien is with another lender and the total combined First Mortgage balance and proposed Home Equity Line of Credit limit. Ask us for more details.

4. Minimum Payment Examples

SoLo HELOC program: If you took one single \$10,000 advance at the beginning of the Draw Period, at an **Annual Percentage Rate** of 5.99% for the first 12 full billing cycles and 7.50% (the index value as of July 1, 2025 minus a margin of .50 percentage points¹ but subject to the lifetime floor of 3.00%) you would make:

- 12 minimum payments of \$49.23
- 106 minimum payments of \$57.53 each during the draw period; and
- 242 minimum payments ranging from \$98.85 to \$41.56 during the final period.

5. Maximum Payment Examples:

- If you took one single \$10,000 advance at the beginning of the Draw Period, at the maximum 18% **ANNUAL PERCENTAGE RATE**, the minimum monthly payment would be \$147.95 during the Draw Period. If you had an outstanding balance of \$10,000 at the beginning of the Final Period, at the maximum 18% **ANNUAL PERCENTAGE RATE**, the minimum monthly payment at the beginning of the Final Period would be \$189.27.

The maximum 18% **ANNUAL PERCENTAGE RATE** could be reached as early as the start of the thirteenth Billing Cycle of the Draw Period and could also be reached as early as the start of the Final Period.

6. Historical Example: The table on the following page shows how the Annual Percentage Rate and minimum monthly





payments would have changed based on changes in the index over the last 15 years. The index values are from the Wall Street Journal most recently published on the last business day of June of each year. While only one payment amount per year is shown, payments would have varied slightly during each year of the Final Period. Years 2011 through 2020 show the Annual Percentage Rate and the minimum monthly payments during the Draw Period. Years 2021 through 2025 show the Annual Percentage Rate and one of the minimum monthly payments during the first five years of the Final Period.

The table assumes **one single \$10,000 advance** taken at the beginning of the Draw Period and that through 2020 the balance remained at exactly \$10,000. The table also assumes that no additional loan advances were taken, that only the minimum payments were made, and that the index and Annual Percentage Rate remained constant during each year. The table does not necessarily indicate how the index or your payments will change in the future.





SoLo HELOC Program

	Year	Index	Annual Percentage Rate ²	Minimum Monthly Payment (a)
	2011	3.25	5.99 ³	\$49.23
	2012	3.25	3.00*	\$24.66
	2013	3.25	3.00*	\$24.66
	2014	3.25	3.00*	\$24.66
	2015	3.25	3.00*	\$24.66
	2016	3.50	3.00*	\$24.66
	2017	4.25	3.75	\$30.82
	2018	5.00	4.50	\$36.99
	2019	5.50	5.00	\$41.10
	2020	3.25	3.00*	\$65.67
Final Period (a)	2021	3.25	3.00*	\$64.45
	2022	4.75	4.25	\$72.36
	2023	8.25	7.75	\$94.76
	2024	8.50	8.00	\$93.22
	2025	7.50	7.00	\$83.88

(a) This table does not show the remaining payments over the last 15 years of the term of the account which would result in the repayment of the entire principal balance.

* Indicates floor rate.

¹ This example includes a margin of "minus .50%" which we have used recently in the SoLo program.

Ask us for the amount of our current margin.

² This reflects a (-.50%) regular SoLo margin we have used recently in the SoLo program. **Ask us for the amount of the margin we currently deduct from the index under the SoLo program.**

³The ANNUAL PERCENTAGE RATE reflects a discount that we have provided recently. Ask us for the amount of our current discount under the Solo Program.





What you should know about Home Equity Lines of Credit (HELOC) – Borrowing from the value of your home

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, typical	Yes	Continue repaying and borrowing for 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 limit, as determined by the lender	Variable, typical	No	Continue repaying and borrowing for several years without additional approvals or paperwork	Solic 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 of \$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 your job 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 <u>repay as you go</u>	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 times, 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 **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	\$			
» 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 and fees	\$			
During the repayment period				
» Penalty for over payments?				
» 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

