



5 Tips for Dealing with a Home Equity Line Freeze or Reduction

1. Read the notice your lender sends you.

Your home equity line of credit (HELOC) lender must provide you a written notice if they have frozen or reduced your HELOC. Your lender must send the notice to you no later than 3 business days *after* the freeze or reduction. The notice also must include information about any other changes to your HELOC.

2. Call your lender.

Even if you have a good payment record, if your home's value has fallen, your lender may freeze or reduce your HELOC. Contact your lender if you have questions or concerns about a freeze or reduction.

3. Learn why your lender froze or reduced your HELOC.

A freeze or reduction notice should include specific reasons for the action. The most common reasons for a HELOC freeze or reduction are

- a decline in the value of your home, or
- a change in your financial circumstances.

Understanding your lender's reasoning may help if you want to take steps to have your credit line reinstated to its original amount. For example, a lender may not be aware that you made significant home improvements that increased your home's value. Or, if your financial circumstances changed for the worse and that change resulted in a lower credit score, investigate ways to rebuild your credit. For more information see, *Building a Better Credit Report* (www.ftc.gov/bcp/edu/pubs/consumer/credit/cre03.shtm).

4. Ask your lender how to have your HELOC reinstated.

Your lender must reinstate your credit privileges when the conditions permitting the freeze or reduction no longer exist. You may need to put in writing your request to have your line of credit reinstated. Once your lender receives your written request, they must promptly investigate and determine whether your HELOC can be reinstated.

5. Remember that your lender can impose fees for reinstating your HELOC.

Your lender may charge you fees to cover the costs for an appraisal and credit report when they consider your request for reinstating your HELOC. Your lender *cannot*, however, charge you a fee to reinstate your credit line once the condition that caused them to freeze or reduce your HELOC no longer exists. For more information see, *What You Should Know About Home Equity Lines of Credit* (www.federalreserve.gov/pubs/equity/equity_english.htm).

