



**IMPORTANT TERMS OF OUR HOME EQUITY LINE OF CREDIT EFFECTIVE  
Date: February 1, 2020**

**This disclosure contains important information about the Credit Union's Home Equity Line of Credit. Please read this disclosure carefully, and retain this copy for your records.**

**CANCELLATION:** All of the terms disclosed below are subject to change. If any of the terms disclosed change and you decide against entering into an agreement with us, you are entitled to a refund of all fees and charges that you have paid to us or to any third party in connection with your application.

This provision does not apply to a change in the Annual Percentage Rate caused by a change in the Index Rate.

**SECURITY INTEREST:** We will take a Deed of Trust on your home. You could lose your home if you do not meet the obligations in your agreement with us.

**POSSIBLE ACTION: TERMINATION:** We may terminate your line of credit and require you to pay us the entire outstanding balance in one payment and charge certain fees if:

- a) You engage in fraud or material misrepresentation in connection with the line.
- b) You have failed to meet the repayment terms.
- c) Your action or inaction has adversely affected the collateral or our rights to the collateral.

**POSSIBLE ACTIONS: SUSPENSION:** The Credit Union may also temporarily suspend all advances or reduce your credit line upon the occurrence of any of the following:

- a) The value of the dwelling securing this plan sufficiently declines below the appraised value.
- b) The Credit Union reasonably believes that you will be unable to fulfill the repayment obligations under the plan due to material change in your financial condition.
- c) You are in default under any of the material obligations of this Agreement.
- d) A government agency prohibits the Credit Union from imposing an interest rate it would otherwise be able to impose contractually.
- e) A government body (such as the IRS) adversely affects the priority of the Credit Union's interest through the imposition of a tax lien or other action to the extent that the value of the security interest is less than 120% of the amount of the credit line.
- f) When the ANNUAL PERCENTAGE RATE, which may be imposed on this account, reaches its maximum due to an increase or increases in the Index Rate.
- g) A government agency notifies the Credit Union that continuing to make advances under this plan may constitute unsafe and unsound practices.

**POSSIBLE ACTION: CHANGES:** The initial Agreement permits the Credit Union to make certain changes to the terms of the Agreement at specific times or upon the occurrence of specified events.

**MINIMUM PAYMENT REQUIREMENTS:** You may obtain advances for a period of five (5) years (Draw Period). During the Draw Period, payments will be due monthly. Your minimum payment will be the amount necessary to repay your account at the effective **ANNUAL PERCENTAGE RATE** over a period of 180 months since your last advance, but will never be less than \$100.00 per month. After the Draw Period ends, you will no longer be able to obtain advances and you must repay the outstanding balance (Repayment Period). The Repayment Period will depend on when you took your last advance, but in no event will exceed 20 years. Your minimum payment will be subject to changes in the **ANNUAL PERCENTAGE RATE** under the variable rate feature of this plan.

If the interest rate increases you will be required to make more payments until the end of the term. Your payment may not repay the outstanding balance by the end of the repayment period. You will then be required to make a single balloon payment at the maturity date. Unless otherwise required by applicable law, we are under no obligation to refinance the balloon payment at that time. You may be required to make payments out of other assets you own or find a lender, which may be us, willing to lend you money. If you refinance the balloon with us, you may have to pay some or all of the closing costs normally associated with a new loan. All payments will include all amounts past due and any amount by which you have exceeded your credit limit, and all other charges.

**Negative Amortization:** Under some circumstances your payment will not cover the finance charges (interest) that accrue and "negative amortization" will occur. Negative amortization will increase the amount that you owe and reduce the equity in your home.

**PAYMENT EXAMPLE:** If you made only the minimum monthly payment and took no other credit advances; it would take 180 months to pay off an advance of \$10,000 at an **ANNUAL PERCENTAGE RATE** of 5.50%. During that period, you would make 180 payments of \$81.71.

**CREDIT UNION FEES AND CHARGES:** To open and maintain a line of credit, you must pay the Credit Union the following fees:

**Application Fee: None      Points: None      Annual Maintenance Fee: None**

**THIRD PARTY FEES AND CHARGES:** You may also pay certain fees to third parties to open the account, as estimated below.

**Appraisal Fees: \$150.00 - \$750.00      Credit Report Fees: \$25.00 - \$150.00      Title Fees: \$150.00 - \$1,000.00**  
**Escrow Fees: \$100-\$500      Recording Fees: \$25.00 - \$250.00      Attorney's Fees: \$85.00 - \$125.00**  
**Flood Determination Fees: \$18.50      Property/Hazard/ Hurricane/Flood/ (if in flood zone) Insurance must be maintained for life of loan.**

**MINIMUM DRAW AND BALANCE REQUIREMENTS:** The minimum Line of credit limit is \$10,000.00. The minimum initial advance is \$10,000.00; the minimum subsequent advance is also \$1,000.00 You are not required to maintain an outstanding balance.

**TAX DEDUCTIBILITY:** You should consult a tax advisor regarding the deductibility of interest and charges for this credit line.

**VARIABLE RATE FEATURE:** This plan has a variable rate feature, and the **ANNUAL PERCENTAGE RATE** (corresponding to the periodic rate) and the minimum monthly payment may 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 rate is the average of the 91 days U.S. Treasury Bill auction average, as published in the Federal Reserve Bulletin, for the calendar quarter immediately preceding the date of the change, to which a margin of 3.00% is added, and then rounded to the next highest ¼ of 1%. Rates are determined on the first day of February, May, August and November. If an advance is made on any new or existing account, the account will be subject to the rate then in effect. All accounts are subject to a rate change after the close of business on February 1<sup>st</sup> (**Annual Change Date**). If the **ANNUAL PERCENTAGE RATE** increased, the minimum payment may increase by an amount necessary to repay your balance at that **ANNUAL PERCENTAGE RATE** over a period of 180 months from the date of your last advance. Ask us for the current index value, margin, rate limitations and **ANNUAL PERCENTAGE RATE**. After you open your credit line, rate information will be provided on periodic statements that we will send you.

Year	Index	Margin	Annual Percentage Rate	Minimum Monthly Payment
2004	0.92%	3.00%	6.50%**	\$87.11
2005	1.57%	3.00%	6.50%**	\$87.11
2006	3.89%	3.00%	7.00%	\$89.88
2007	3.46%	3.00%	6.50%	\$87.11
2008	0.72%	3.00%	6.50%**	\$87.11
2009	0.08%	3.00%	3.25%	\$70.27
2010	0.06%	3.00%	3.25%	\$70.27
2011	0.12%	3.00%	3.25%	\$70.27
2012	0.02%	3.00%	3.25%	\$70.27
2013	0.09%	3.00%	3.25%	\$70.27
2014	0.06%	3.00%	3.25%	\$70.27
2015	0.15%	3.00%	3.25%	\$70.27
2016	0.15%	3.00%	3.25%	\$70.27
2017	0.60%	3.00%	3.75%	\$72.73
2018	1.24%	3.00%	4.25%	\$75.23
2019	2.34	3.00%	5.50%	\$81.71

**RATE CHANGES:** The maximum **ANNUAL PERCENTAGE RATE** (Cap) that can apply will be 6.00% above the initial loan rate ("Initial Rate"), not to exceed 18.00%. The rate may not be increased more than 2.00% in any one-year period. (A one-year period begins on the Annual Change Date of February 1<sup>st</sup>, or the opening date of your account, whichever is later, and runs until the next Annual Change Date). The minimum **ANNUAL PERCENTAGE RATE** (Floor) that can apply is 3.00%.

**MAXIMUM RATE AND PAYMENT EXAMPLES:** If you had an outstanding balance of \$10,000, the minimum payment at the maximum **ANNUAL PERCENTAGE RATE** of 11.50 % would be \$116.82. This **ANNUAL PERCENTAGE RATE** could be reached within 36 months of opening your account.

**HISTORICAL EXAMPLE:** The following table shows how the **ANNUAL PERCENTAGE RATE** and the minimum monthly payments for a single \$10,000 credit advance would have changed based on changes in the Index over the past 15 years. The Index values are from December 31st of each year and will be the basis for the interest rate in effect on the annual change date of February 1<sup>st</sup> of the following year. The table assumes that no additional credit advances were taken, that only the minimum payments were made each month, and that the rate remained constant during the year. It does not necessary indicate how the Index or your payments will change in the future. The margin shown is one which the credit union has recently used Dotted line indicates when draw period ends.

**\*\*Reflects minimum (floor) rate**

Applicant's Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Applicant's Signature: \_\_\_\_\_

Date: \_\_\_\_\_