

**PREMIER CREDIT UNION**  
**IMPORTANT TERMS OF OUR HOME EQUITY LINE OF CREDIT**

This disclosure contains important information about our Home Equity Line of Credit. You should read it carefully and keep a copy for your records.

**Availability of Terms:** All of the terms below are subject to change. If these terms change (other than ANNUAL PERCENTAGE RATE) and you decide, as a result, not to enter into agreement with us, you may not be entitled to a refund of any fees you paid to us or anyone else in connection with your application.

**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.

**Possible Actions:** We can terminate your line, require you to pay us the entire outstanding balance in one payment, and charge you certain fees if:

- You engage in fraud or material misrepresentation in connection with the line.
- You do not meet the repayment terms.
- Your action or inaction adversely affects the collateral or our rights in the collateral.

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

- The value of the dwelling securing the line declines significantly below its appraised value for the purposes of the line.
- We reasonably believe you will not be able to meet the repayment requirements due to material change in your financial circumstances.
- You are in default of a material obligation in the agreement.
- Government action prevents us from imposing the ANNUAL PERCENTAGE RATE provided for or impairs our security interest such that the value of interest is less than 120 percent of the credit line.
- A regulatory agency has notified us that continued advances would constitute an unsafe and unsound practice.
- The maximum ANNUAL PERCENTAGE RATE is reached.

The initial agreement permits us to make certain changes to the terms of the agreement at specified times or upon the occurrence of specified events.

**Minimum Payment Requirements:** You can obtain advances of credit for 10 years (the "Draw Period").

**During the Draw Period:** Up until the Final Draw date, payments will be due monthly. Payments may change monthly on the tenth (10<sup>th</sup>) of each month (the "Change Dates") or upon subsequent advances, using the ANNUAL PERCENTAGE RATE in effect on the first business day of each month during the Draw Period. Your minimum monthly payment will equal an amount necessary to amortize each advance in 240 months, plus

finance charges accrued on your outstanding balance. Your minimum monthly payment will never be less than \$50.00.

In the event your outstanding balance exceeds your credit limit, you will be expected to repay that excess amount in full immediately. Additionally, you will pay immediately when due, any current insurance fees or other charges and any past due amounts.

**After the Final Draw Date:** You will no longer be able to obtain credit advances. During the Repayment Period, payments will be due monthly. Payments may change monthly on the tenth (10<sup>th</sup>) of each month (the "Change Dates"), using the ANNUAL PERCENTAGE RATE in effect the first business day of each month during the Repayment Period. Your minimum monthly payment will be calculated on your outstanding balance over the remaining Repayment Period. Your minimum payment will equal an amount necessary to amortize your balance in 240 months, plus finance charges accrued on your outstanding balance. Your minimum monthly payment will never be less than \$50.00. Further, please note that the last payment of the Repayment Period (the "Last Payment") may be slightly more or slightly less than the monthly minimum payment calculated on the last Change Date, due to fluctuations in the index.

**Minimum Payment Examples:** If you took a single **\$10,000.00** advance and the ANNUAL PERCENTAGE RATE was **8.00%**:

It would take **20** years and **0** month(s) to pay off the advance if you made only the minimum payments. During that period you would make **240** payments of approximately **\$83.64**.

**Fees and Charges:** There are fees to third parties to open a line of credit. There is no annual charge.

- A. There is a late charge of 5% of the payment if it is delinquent for 14 days or more.
- B. In the event of a default under the loan documents, and the Credit Union is required to employ a collection agency or attorneys, you will be subject to the payment of those reasonable collection agency fees and attorney fees and court costs.
- C. Fees and costs include title charges, official recording fees, attorney's fees, and appraisal fees and flood certification fees. These costs and charges typically range from \$319.00 to \$615.00 per the following schedule:

Attorney's Fees	\$175 to \$225
Title	\$65
Recording Fees	\$37 to \$58
Appraisal Fees	\$25 to \$250
Flood Certification Fees	\$17

**Minimum Draw Requirements:** The minimum initial credit advance (“Draw”) that you can receive is \$5,000.00 and subsequent credit advances (“Draw”) must not be less than \$500.00.

**Tax Deductibility:** You should consult a tax advisor regarding deductibility of interest and charges for the line.

**Variable-Rate Feature:** The line has an adjustable-rate feature, and the ANNUAL PERCENTAGE RATE (corresponding to the period 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. During both Draw and Repayment periods, the index is the Average Prime Rate as found in the Money Rates column of the Wall Street Journal. To determine the ANNUAL PERCENTAGE RATE that will apply to your line, we add a margin to the value of the index. The margin can vary from 0.25% below prime to 2.00% over prime depending on credit score and amount of credit approved.

Ask us for the current index values, margin and ANNUAL PERCENTAGE RATE. The margin requirement and ANNUAL PERCENTAGE RATE for your loan, however, may only be ascertained after the amount of your line of credit is approved and your credit score is determined. After you open a credit line, rate information will be provided on periodic statements that we send you.

**Rate Changes:** The ANNUAL PERCENTAGE RATE can change monthly on the tenth (10<sup>th</sup>) of each month (“Rate Adjustment Date:). The maximum ANNUAL PERCENTAGE RATE that can apply is **18.00%**. There is no minimum ANNUAL PERCENTAGE RATE. Apart from this rate “cap” there is a no limit on the amount by which the rate can change during any monthly period.

**Maximum Rate and Payment Examples:** If the ANNUAL PERCENTAGE RATE during the Draw Period equaled the **18.00%** maximum and you had an outstanding balance of **\$10,000.00**, the monthly payment would be **approximately \$154.33**.

If you had an outstanding balance of **\$10,000.00** at the beginning of the Repayment Period, the minimum monthly payment at the maximum ANNUAL PERCENTAGE RATE of **18.00%** would be **approximately \$154.33**. This ANNUAL PERCENTAGE RATE could be reached during the first month of the Repayment Period.

**Historical Example:** The following table as **Exhibit “A”** shows how the ANNUAL PERCENTAGE RATE and the monthly payments for a single **\$10,000.00** credit advance would have changed based on changes in the index over the past 15 years. For the Draw Period and Repayment Period in this table we have used the index values for the prime rate for **January** of each year.

The table assumes that no additional credit advances were taken, that only minimum payments were made, and that the rate remained constant during each year. It does not necessarily indicate how the indices or your payments will change in the future.

I/We have received this disclosure on \_\_\_\_\_, 200\_\_ together with the handbook “Home Equity Lines of Credit.”

By: \_\_\_\_\_

By: \_\_\_\_\_

### **Exhibit “A”**

#### **HOME EQUITY LINE OF CREDIT HISTORICAL EXAMPLE**

(Based on the *Wall Street Journal* Money Rates Column)  
\$10,000.00 for the past 180 months (240-month amortization)

<u>Year</u>	<u>Index</u>	<u>Margin*</u>	<u>APR**</u>	<u>Minimum Payment</u>
1995	8.50	0	8.50	\$86.78
1996	8.50	0	8.50	\$86.78
1997	8.25	0	8.25	\$85.21
1998	8.50	0	8.50	\$86.78
1999	7.75	0	7.75	\$82.09
2000	8.50	0	8.50	\$86.78
2001	9.50	0	9.50	\$93.21
2002	4.75	0	4.75	\$64.62
2003	4.25	0	4.25	\$61.92
2004	4.00	0	4.00	\$60.60
2005	5.25	0	5.25	\$67.38
2006	7.25	0	7.25	\$79.04
2007	8.25	0	8.25	\$85.21
2008	5.25	0	5.25	\$67.38
2009	3.25	0	3.25	\$56.72

\*Margin Credit Union has used recently. The margin can vary from 0.25% below prime to 2.00% over prime depending on credit score and amount of line of credit approved.

\*\* ANNUAL PERCENTAGE RATE (APR)