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REAL ESTATE LENDING



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 CUNA MUTUAL  
 GROUP

## HOME EQUITY EARLY DISCLOSURE

### INTEREST ONLY VARIABLE IMPORTANT TERMS OF OUR HOME EQUITY LINE OF CREDIT PLAN

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

**AVAILABILITY OF TERMS:** All of the terms described below are subject to change. If 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 that you pay to us or anyone else in connection with your application.

**SECURITY INTEREST:** We will take a security interest in 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 (1) you engage in fraud or material misrepresentation in connection with the plan; (2) you do not meet the repayment terms of this plan, or (3) 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 (1) any reasons mentioned above exist; (2) the value of the dwelling securing the line declines significantly below its appraised value for purposes of the line; (3) we reasonably believe that you will not be able to meet the repayment requirements due to a material change in your financial circumstances; (4) you are in default of a material obligation of the agreement; (5) government action prevents us from imposing the annual percentage rate provided for in the agreement; (6) the priority of our security interest is adversely affected by government action to the extent that the value of the security interest is less than 120 percent of the credit line; (7) a regulatory agency has notified us that continued advances would constitute an unsafe and unsound business practice, or (8) the maximum annual percentage rate is reached.

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

**MINIMUM PAYMENT REQUIREMENTS:** You can obtain credit advances for 10 years. This period is called the "draw period." At our option, we may renew or extend the draw period. The length of repayment period will depend upon the balance at the end of the draw period and changes in the interest rate but it will never exceed 10 years. You will be required to make payments during both the draw and repayment periods. Your minimum payment during the draw period will be equal to the accrued interest on your outstanding balance from the preceding month. If the interest rate increases, you will be required to make a higher payment.

At the beginning of the repayment period we will recalculate your payment. Your payment will be 1.25% of the outstanding balance each month or \$25.00, whichever is greater. Your payment will include any amounts past due and any amount by which you have exceeded your credit limit, and all other charges. If the interest rate increases, you will be required to make more payments. The minimum 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 the money. If you refinance the balloon with us, you may have to pay some or all of the closing costs. Your payment will include any 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 us and reduce the equity in your home.

**MINIMUM PAYMENT EXAMPLE:** If you made only the minimum monthly payment and took no other credit advances it would take 20 years to pay off a credit advance of \$10,000 at an **ANNUAL PERCENTAGE RATE** of 4.0%. During that period, you would make 120 payments of \$30.68 to \$33.97, followed by 119 payments of \$41.79 to \$125.00 and a final balloon payment of \$3,354.78.

**TRANSACTION REQUIREMENTS:** The minimum credit advance that you can receive is \$5,000.00 for the first advance.

**FEES AND CHARGES:** In order to open, use and maintain a line of credit plan, you must pay the following fees to us:

Check Printing Charge: \$15.00 (Due when checks are ordered)

You must pay certain fees to third parties to open the plan. These fees generally total between \$300.00 and \$3,800.00. If you ask, we will provide you with an itemization of the fees you will have to pay third parties.

**FIXED RATE OPTION:** During the draw period, this plan has a fixed rate option (the "option") which you may exercise for up to five (5) advances at any one time. The option must be exercised for an advance of at least \$5,000.00. Each time you exercise this option, you agree to pay a \$35.00 fee, except for the first request which will be no charge.

At the time that you exercise the option, that portion of your balance will have a fixed rate. You may exercise the option at different times and therefore have different "Fixed Rate Loan Portions." You may not exercise the option if your credit limit will be exceeded. Your credit limit will apply to the combined total of all amounts owing under the variable and fixed rate features. All future advances will be at the current variable rate according to the terms disclosed above, unless another option is exercised.

When you exercise the option, the interest rate will be fixed on the balance you elect until the balance is repaid. Your fixed interest rate will be equal to the value of the Prime Rate published in *The Wall Street Journal* at the time you exercise the option plus a margin. You can call us to find out the then current prime rate and margin. If you elect the option, your minimum payment will be calculated separately from the minimum payment on your variable rate and other Fixed Rate Loan Portions. Your minimum payment will be set to repay the balance, at the applicable fixed rate within a payoff period of 120 months. Your payment will include all amounts past due and all other charges.

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

**PROPERTY INSURANCE:** You must carry insurance on the property that secures this plan. If the property is located in a Special Flood Hazard Area we will require you to obtain flood insurance if it is available.

REFUNDABILITY OF FEES: If you decide not to enter into this plan within three business days of receiving this disclosure and the home equity brochure, you are entitled to a refund of any fee you may have already paid.

VARIABLE RATE FEATURE: This plan has a variable rate feature and the annual percentage rate (corresponding to the periodic rate) and the minimum payment may change as a result. The annual percentage rate includes only interest and no other costs.

The annual percentage rate is based on an index. The index is the Prime Rate published in the Money Rates column of the Wall Street Journal. When a range of rates has been published the highest rate will be used. We will use the most recent index value available to us as of the 20th of the month preceding any rate change. If the Wall Street Journal is no longer available a similar publication will be used.

To determine the annual percentage rate that will apply to your account, we add a margin to the value of the Index. The initial rate may be "discounted" – if so, it is not based on the index and margin used for later rate adjustments. If your initial rate is discounted, that initial rate will be in effect for 6 months. If the 6 month period does not coincide with a scheduled rate change date, the initial discount period will extend past the 6 months to your next scheduled "change date".

Ask us for the current index value, margin, discount and annual percentage rate. After you open a plan, rate information will be provided on periodic statements that we send you.

RATE CHANGES: The annual percentage rate can change on the first business day of each month. There is no limit on the amount by which the annual percentage rate can change during any one year period. The maximum **ANNUAL PERCENTAGE RATE** that can apply is 18.0% or the maximum permitted by law,

whichever is less. However, under no circumstances will your **ANNUAL PERCENTAGE RATE** go below 3.99% at any time during the term of the plan.

MARGIN: The margin used will depend upon the amount of equity in the property used as security and your individual credit worthiness. Please ask your loan officer about your qualifying margin.

MAXIMUM RATE AND PAYMENT EXAMPLES: If you had an outstanding balance of \$10,000 during the draw period, the minimum payment at the maximum **ANNUAL PERCENTAGE RATE** of 18.0% would be \$152.88. This annual percentage rate could be reached at the time of the 1st payment without an initial discount rate and the 7<sup>th</sup> payment with an initial discount rate. If you had an outstanding balance of \$10,000 during the repayment period, the minimum payment at the maximum **ANNUAL PERCENTAGE RATE** of 18.0% would be \$125.00. This annual percentage rate could be reached at the time of the 1st payment.

HISTORICAL EXAMPLE: The following tables shows how the annual percentage rate and the minimum 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 the last business day of January of each year. While only one payment per year is shown, payments may have varied during each year. The tables assume that no additional credit advances were taken, that only the minimum payments were made, and that the rate remained constant during each year. It does not necessarily indicate how the index or your payments will change in the future.

WALL STREET JOURNAL PRIME RATE INDEX TABLE

Year (as of the last business day of January)	Index (Percent)	Margin <sup>(1)</sup> (Percent)	<b>ANNUAL PERCENTAGE RATE</b> With Discount	Monthly Payment (Dollars) With Discount	<b>ANNUAL PERCENTAGE RATE</b> Without Discount	Monthly Payment (Dollars) Without Discount
2008.....	6.000	0.00	3.490 <sup>(2)</sup>	29.64	6.000	50.96
2009.....	3.250	0.00	4.000 <sup>(3)</sup>	33.97	4.000 <sup>(3)</sup>	33.97
2010.....	3.250	0.00	4.000 <sup>(3)</sup>	33.97	4.000 <sup>(3)</sup>	33.97
2011.....	3.250	0.00	4.000 <sup>(3)</sup>	33.97	4.000 <sup>(3)</sup>	33.97
2012.....	3.250	0.00	4.000 <sup>(3)</sup>	33.97	4.000 <sup>(3)</sup>	33.97
2013.....	3.250	0.00	4.000 <sup>(3)</sup>	33.97	4.000 <sup>(3)</sup>	33.97
2014.....	3.250	0.00	4.000 <sup>(3)</sup>	33.97	4.000 <sup>(3)</sup>	33.97
2015.....	3.250	0.00	4.000 <sup>(3)</sup>	33.97	4.000 <sup>(3)</sup>	33.97
2016.....	3.500	0.00	4.000 <sup>(3)</sup>	33.97	4.000 <sup>(3)</sup>	33.97
2017.....	3.750	0.00	4.000 <sup>(3)</sup>	33.97	4.000 <sup>(3)</sup>	33.97
2018.....	4.500	0.00	4.500	125.00	4.500	125.00
2019.....	5.500	0.00	5.500	112.49	5.500	112.49
2020.....	4.750	0.00	4.750	102.25	4.750	102.25
2021.....	3.250	0.00	4.000 <sup>(3)</sup>	92.26	4.000 <sup>(3)</sup>	92.26
2022.....	3.250	0.00	4.000 <sup>(3)</sup>	82.61	4.000 <sup>(3)</sup>	82.61

<sup>(1)</sup> This is a margin we have used recently; your margin may be different.

<sup>(2)</sup> This annual percentage rate reflects a discount that we have provided recently; your plan may be discounted by a different amount.

<sup>(3)</sup> This **ANNUAL PERCENTAGE RATE** reflects a 4.000% floor.