

# HOME EQUITY INITIAL DISCLOSURE – VARIABLE RATE TRUTH-IN-LENDING DISCLOSURE NOTICE

Borrower(s)	Credit Limit	Account Number	Date
Address	Property Address		

**THIS DISCLOSURE NOTICE CONTAINS IMPORTANT INFORMATION ABOUT \_\_\_\_\_ CREDIT UNION'S HOME EQUITY REVOLVING CREDIT LOAN. YOU SHOULD READ IT CAREFULLY AND KEEP A COPY FOR YOUR RECORDS.**

**TERMS SUBJECT TO CHANGE.** The terms described below are effective \_\_\_\_ but are subject to change at any time. If, prior to your signing the loan documents, any of these terms have changed (other than the annual percentage rate) and you decided, as a result, not to obtain a home equity loan from us, you would be entitled to a refund of any fees that you paid in connection with your application.

**HOME EQUITY REVOLVING CREDIT.** You must apply for and be approved for a Home Equity Revolving Credit Plan to qualify for this revolving line of credit. The home equity loan is a revolving line of credit secured by a borrower's principal residence that permits the borrower to obtain credit advances up to a specified credit limit. Because the loan is an open-end line of credit, it can be used again and again to obtain credit advances as long as the credit limit is not exceeded. As used below, the words "we", "us" and "our" mean \_\_\_\_\_ Credit Union.

**SECURITY INTEREST.** Your obligation to repay your home equity loan and your other obligations under your home equity loan agreement would be secured by the property described in a Mortgage signed by you in connection with the establishment of your loan. By signing the Mortgage, you would grant \_\_\_\_\_ Credit Union a security interest in that property. You could lose that property if you did not meet your obligations to \_\_\_\_\_ Credit Union.

**PRIMARY RESIDENCE.** You must occupy the home/residence pledged as collateral for this Home Equity loan until the balance is paid in full. If the residence securing this Home Equity loan ceases to be owner-occupied for more than 30 consecutive calendar days during the term of this Plan, we may, at the Credit Union's sole discretion, increase the Margin added to the Interest Rate Index, by one percentage point (1.00%), for the remaining term of the Plan.

**POSSIBLE ACTIONS.** Under the circumstances specified in your home equity loan agreement, \_\_\_\_\_ Credit Union would be permitted (i) to terminate your account and require you to pay us the entire outstanding balance in one payment and also charge you certain fees, (ii) to refuse to make further extensions of credit, (iii) to reduce your credit limit, and (iv) to make specific changes to the terms of your home equity loan agreement. The Credit Union may also make any of the following changes to your Plan: (a) prohibit additional extensions of credit or reduce the credit limit applicable to an account under the plan during any period in which the value of the borrower(s) principal dwelling which secures any outstanding balance is significantly less than the original appraisal value of the dwelling; (b) prohibit additional extensions of credit or reduce the credit limit applicable to the account during any period in which the creditor has reason to believe that the consumer will be unable to comply with the repayment requirements of the account due to a material change in the consumer's financial circumstances; (c) prohibit additional extensions of credit or reduce the credit limit applicable to the account during any period in which the consumer is in default with respect to any material obligation of the consumer under the agreement; (d) government action prohibits us from imposing the annual percentage rate provided for in the agreement; (e) 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; (f) a regulatory agency has notified us that continued advances would constitute an unsafe and unsound business practice, or (g) the maximum annual percentage rate is reached. Upon your request, \_\_\_\_\_ Credit Union will provide you with more specific information about when \_\_\_\_\_ Credit Union could take these actions.

This disclosure notice is not a replacement for or a part of any loan commitment, loan agreement, Mortgage or other document you may sign if \_\_\_\_\_ Credit Union agrees to make a home equity loan to you. You should become familiar with and understand the provisions of all such documents before signing them.

Since \_\_\_\_\_ Credit Union may sell any loan it makes, a purchaser of the loan may enforce the terms of any loan you may obtain from \_\_\_\_\_ Credit Union. As used below, the words "we", "us" and "our" mean \_\_\_\_\_ Credit Union or any person that would have the right to enforce the loan terms.

**How the Home Equity Loan Works**

1. **General.** The home equity loan is a revolving credit loan secured by a borrower's principal residence that permits the borrower to obtain credit advances up to a specified credit limit. Because the loan is an open-end revolving credit, it can be used again and again to obtain credit advances as long as the credit limit is not exceeded. Advances may be obtained at the Credit Union, by sharedraft checks if authorized by the Credit Union or you may be authorized by the Credit Union to access the loan by other means. As used below the words "we", "us" and "our" mean \_\_\_\_\_ Credit Union.
2. **"Draw Period" and "Loan Term".** You may obtain advances of credit for 5 years (the "draw period"). After that, except in the event of an extension of the draw period by the Credit Union, your loan would convert into the repayment period during which you would no longer be permitted to obtain advances. The length of the repayment period will depend on the balance at the time of the last advance before the draw period ends.
3. **Transaction Requirements.** The minimum amount of the first credit advance is \$2,500.00. You do not need to maintain an outstanding balance to keep your Plan open.
4. **Minimum Payment Requirements.** You must make monthly payments both during the draw period and the repayment period. Interest accrues on your total balance owing from the date of each advance and there is no time period within which any credit extended may be repaid without incurring a finance charge. At the time of each credit advance a payoff period will be established based upon the following chart for the outstanding balance then owed at the time of the last advance:

<u>Range of Balances</u>	<u>Payoff Period</u>
Up to \$10,000.00	60 Monthly Payments
\$5,000.01 to \$20,000.00	96 Monthly Payments
\$20,000.01 and Above	120 Monthly Payments

The length of the repayment period will depend on the balance at the time of the last advance you obtain before the draw period ends. The payoff period will

always be the shorter of the payoff period for your outstanding balance or the time remaining to the maturity date. Your payment will be set to repay the balance after the advance, at the current annual percentage rate, within the payoff period. Your payment will be rounded up to the nearest dollar. Upon each advance, we will calculate your payments as specified in this paragraph.

The payment will remain the same unless you obtain another credit advance. Your payments may also change if the annual percentage rate increases. We will check your account each year and if the annual percentage rate increases, we will review the effect the increase has had on your plan. If the annual percentage rate has increased so much that your payment is not sufficient to repay the balance within the payoff period, we will adjust your payment to repay the balance within the payoff period. Your payment will include any amounts past due and any amount by which you have exceeded your credit limit, and all other charges.

Your payment will never be less than a minimum payment established by the Credit Union of \$25.00 or, if the balance owing is less than \$25.00, the remaining balance owing.

**5. Minimum Payment and Maximum Rate Examples.** If you made only the minimum monthly payment and took no other credit advances, it would take 5 years to pay off a credit advance of \$10,000 at an **ANNUAL PERCENTAGE RATE** of 5.25% (the most recent rate available from the Historical Example below). During that period, you would make 60 monthly payments of \$190.00. If you had an outstanding balance of \$10,000.00, the minimum payment at the maximum **ANNUAL PERCENTAGE RATE** of 15.0% would be \$238.00. This annual percentage rate could be reached in the 115<sup>th</sup> month after the first advance.

**6. Fees and Charges.** You must pay certain fees to third parties and upon request, we will provide you with an itemization of the fees we will have to pay to third parties. These fees generally total between \$0.00 and \$3,000.00. 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 to us. Although a Survey on the subject property is not always required, if circumstances do require a Survey, you as the applicant will be obligated to pay any such Survey fee. In addition, any fees required to clear title to your property or record non-mortgage related documents will be solely your obligation.

**7. Credit Union Fee Reimbursement.** The Credit Union may pay some or all of third-party fees required fees/closing costs. However, if you close this plan within 36 months of the open date, you will have to reimburse the Credit Union for all fees paid on your behalf as an early termination fee.

**8. Property Insurance is required.** You must carry insurance on the property that secures this revolving of credit plan. If the property is located in a special Flood Hazard Area, we will require you to obtain flood insurance if it is available.

**9. Other Charges and Costs.**

- **Late Charges:** If a payment is late 20 days or more, you may be charged 20% of the interest due, to compensate us for the additional time and expense involved in processing late payments.
- **Collection Costs:** If this Contract is placed in the hands of an attorney for collection, or if it is collected through any legal proceedings at law or in equity or in bankruptcy, receivership or other court proceedings, borrower(s) and/or cosigners promise to pay, subject to any limits under applicable law, all costs and expenses of collection including, but not limited to, court costs and the reasonable attorney's fees of the holder hereof.
- **Other Fees:** Your account may also be assessed other fees according to the Credit Union's fee schedule, as adjusted from time to time.

**10. Variable Interest Rate.** Your loan would have a variable interest rate, and the annual percentage rate could change as a result. The **Annual Percentage Rate** would not include costs other than interest. Your interest rate will be determined fifteen calendar days before any interest rate change that will become effective on the first day of January and July of each year following your Mortgage closing. The rate cannot increase or decrease more than 0.50 percent (0.5%) at each interest rate adjustment. For example, a \$10,000.00 loan with an initial interest rate of 5.25% (the rate shown in the historical chart column for the year 2013), the maximum amount that the interest rate can raise under this program is up to 15.0%, or the maximum permitted by law, whichever is less. The maximum interest rate of 15.0%, for this example only, could be reached in January 2023. You will be notified in writing on your periodic statement(s) when your interest rate is changed. This notice will contain information about your interest rate, payment and loan balance. Your interest rate will never be greater than 15.0%, or the maximum permitted by law, and never be less than a floor interest rate established by the Credit Union of 8.0%.

**11. Periodic Rate And Corresponding Annual Percentage Rate With Margin.** The annual percentage rate is based on the value of an Index. The Index is the highest Prime Rate of Interest published daily in the Wall Street Journal's listing of "Money Rates" (the "Index") and is also available from the Treasury Department website at: [www.publicdebt.treas.gov](http://www.publicdebt.treas.gov). We will use the most recent Index value available to us as of 15calendar days before the date of any percentage rate adjustment. If the rate is not already rounded, we will then round to the nearest 0.25%. If the Wall Street Journal ceases to publish the Index, we will choose a substitute Index that is based upon comparable information and, if necessary, a substitute margin, so that the change in the Index results in substantially the same rate as required under the previous Index. We currently do not add a Margin to the Index.

**FINANCE CHARGES** are the same as interest and start to accrue on each Advance on the date it is made. There is no period in which any Advance may be repaid without incurring a **FINANCE CHARGE**. A **FINANCE CHARGE** will be assessed on the daily unpaid loan balance of the account for every day the balance is outstanding during each billing cycle. A **FINANCE CHARGE** begins whenever an advance is posted to the account, regardless of when or how much is paid on the account during the billing cycle. To determine the periodic rate that will apply to your account, we add a margin of 2.00%, to the value of the Index. Then we divide this sum by the number of days in a year (365). This result is the annual percentage rate. Finance charges include interest only and do not include any other charges.

You should ask us for the current Index value, margin and annual percentage rate. After you opened an account, rate information would be provided on periodic statements that we send you.

**12. Prepayment.** There is no prepayment penalty, however, your account may be assessed an early termination fee of equal to the total of all fees paid to third parties on your behalf as closing costs, to reimburse the Credit Union for all fees paid on your behalf by the Credit Union if you close your credit line within thirty-six (36) months from the date of opening. Borrower(s) may also make larger payments than the minimum monthly payment due which will reduce the Outstanding Balance. However, a larger payment will not relieve Borrower(s) of the obligation to make a minimum payment each month.

**13. Tax Deductibility.** You should consult a tax advisor regarding the deductibility of interest and charges under your loan.

**14. Variable-Rate 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 last 15 years. The Index values are from the last business day of January of each year.

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

Amount: \$10,000.00

Loan Term: 5 years

Interest Adjustment: Semi-Annually (January/July)

Margin: 2.0%<sup>(1)</sup>

Caps: 15.00% over life of loan

Floor: \_\_\_\_\_% Percentage Points

Index: The highest Prime Rate of Interest reported in the *Wall Street Journal* "Money Rates Section"

Year	Index (%)	Margin (%) <sup>(1)</sup>	Annual Percentage Rate (%)	Monthly Payment (Dollars)
1999	7.750	2.00	9.750	\$212.00
2000	8.500	2.00	10.500	\$215.00
2001	9.000	2.00	11.000	\$215.00
2002	4.750	2.00	10.000 <sup>(2)</sup>	\$213.00
2003	4.250	2.00	9.000 <sup>(2)</sup>	\$208.00
2004	4.000	2.00	8.000 <sup>(2)</sup>	-
2005	5.250	2.00	7.250	-
2006	7.500	2.00	8.250 <sup>(2)</sup>	-
2007	8.250	2.00	9.250 <sup>(2)</sup>	-
2008	6.000	2.00	8.250 <sup>(2)</sup>	-
2009	3.250	2.00	7.250 <sup>(2)</sup>	-
2010	3.250	2.00	6.250 <sup>(2)</sup>	-
2011	3.250	2.00	5.250	-
2012	3.250	2.00	5.250	-
2013	3.250	2.00	5.250	-

Index is as of the last business day of January of each year.

<sup>(1)</sup> This is a margin we have used recently. Your interest rate may be different.

<sup>(2)</sup> This ANNUAL PERCENTAGE RATE reflects a rate periodic cap of 0.50% per adjustment.

**\*\*\* IMPORTANT ~ Please sign one copy of this disclosure \*\*\*  
and return it to \_\_\_\_\_ Credit Union**

**You are not required to complete this agreement merely because you have received these disclosures or signed a loan application.  
I/We acknowledge receiving and reading the above Disclosure Notice.**

\_\_\_\_\_  
Applicant's Signature Date

\_\_\_\_\_  
Applicant's Signature Date

\_\_\_\_\_  
Applicant's Signature Date

\_\_\_\_\_  
Applicant's Signature Date

Loan Originator Organization and NMLSR #: \_\_\_\_\_ Credit Union #

Loan Originator Name and NMLSR # \_\_\_\_\_