

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

This disclosure contains important information about your Home Equity Open-End 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 any of 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 paid to us or anyone else in connection with your application.

**Security Interest:** We will take a security interest in your home through a Deed of Trust. You could lose your home if you do not meet the obligations in your agreement with us. This agreement is not secured by any of your other personal or real property taken as security for other loans you may have with us, unless otherwise specifically indicated.

**Possible Actions:**

**Termination and Acceleration**

We can terminate the Home Equity Open-End Credit Plan and require you to pay us the entire outstanding balance in one payment and charge you certain fees if:

- (a) you commit fraud or material misrepresentation at any time in connection with this Plan;
- (b) you do not meet the repayment terms of this Plan; or
- (c) your action or inaction adversely affects the collateral for the Plan or our rights in the collateral. For example: We can terminate and accelerate if: (1) you transfer title to the property or sell the property without our permission, (2) you fail to maintain required insurance on the dwelling, (3) you fail to pay taxes on the property, (4) you permit the filing of a lien senior to ours, (5) the sole consumer obligated on the Plan dies, (6) the property is taken through eminent domain, and (7) a prior lienholder forecloses.

**Suspension or Reduction**

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

- (a) the value of your dwelling declines significantly below its appraised value for purposes of this Plan;
- (b) we reasonably believe that you will not be able to meet the repayment requirements due to a material change in your financial circumstances;
- (c) you are in default of a material obligation of this Plan;
- (d) government action prevents us from imposing the **ANNUAL PERCENTAGE RATE** provided for under this Plan or impairs our security interest such that the value of the interest is less than 120 percent of the credit line;
- (e) a regulatory agency has notified us that continued advances would constitute an unsafe and unsound practice;
- (f) the maximum **ANNUAL PERCENTAGE RATE** under this Plan is reached;
- (g) any of the circumstances listed under Termination and Acceleration above.

**Change in Terms**

Our home equity credit agreement permits us to make certain changes to the terms of this Plan at specified times or upon the occurrence of specified events.

**Minimum Payment Requirements:** You will make payments at least monthly to meet the Minimum Payment Requirements. You agree that you will pay the Minimum Payment on or before the due date indicated on your statement. Minimum Payment Requirements may include all amounts past due, late charges, applicable insurance premiums, and the minimum monthly payment.

You can obtain advances of credit for 10 year(s) (the "draw period"). During the draw period, payments will be due monthly. Your minimum monthly payment will equal 1.0% of the loan account balance outstanding or \$100.00 whichever is greater.

After the draw period ends, you will no longer be able to obtain credit advances and must pay the outstanding balance on your account (the "repayment period"). The length of the repayment period is 15 year(s). During the repayment period, payments will be due monthly. Your minimum monthly payment will equal an amortized payment of the loan account balance. This balance will be amortized over 180 months.

The minimum payment, generally, will not change when the annual percentage rate changes. This means that your minimum monthly payments may not fully repay the loan by the maturity date, and a lump-sum balloon payment may be due. See the "Balloon Payment" provision below for more details. We may, however, increase the minimum payment to avoid negative amortization. See the "Negative Amortization" provision below.

**Balloon Payment:** The minimum payment may not reduce the principal that is outstanding on your line by the final payment date. You will then be required to pay the entire balance in a single "balloon" payment. You will also be required to immediately pay the entire

balance in a balloon payment if you terminate your Plan. 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, you may have to pay some or all of the closing costs normally associated with a new loan.

**Negative Amortization:** Under some circumstances, your payment will not cover the finance charges that accrue and "negative amortization" will occur. Negative amortization will increase the amount that you owe us and reduce your equity in your home. In order to avoid this "negative amortization," we may increase your minimum payment to cover the accruing finance charges.

**Initial Draw Fixed Rate Sub Account:** At the time your account is established and an initial draw on your account is made, the initial draw amount will be placed into a fixed rate Sub Account and used to pay amounts noted above in the minimum payment requirements. After this initial draw, you will not be able to add any additional sums to your fixed rate Sub Account nor may you have any additional Sub Accounts. As you pay down the balance of the Sub Account and equal amount of principal becomes available for your use under the Plan. Your minimum monthly payment amount will be the amount necessary to amortize the fixed rate Sub Account over a payment term of then (10) years. An example of a fixed **ANNUAL PERCENTAGE RATE** that we have used recently is 3.25%.

**Minimum Payment Example:**

**Line of Credit:** If you made only the minimum monthly payment and took no other credit advances, it would take 25 year(s) to pay off a credit advance of \$10,000 at an **ANNUAL PERCENTAGE RATE** of 3.75%. During that period, you would make 120 payments of \$100.00 followed by 179 payments of \$0.06, with a final payment of \$1.28.

**Sub Account:** If you made only the minimum monthly payment and took no other credit advances, it would take 10 year(s) to pay off a credit advance of \$10,000 at an **ANNUAL PERCENTAGE RATE** of 3.25%. During that period, you would make 120 monthly payments of \$96.56.

**Fees and Charges:** To open and maintain an account, you must pay the following fees to us:  
**Late Charges:** If a payment is past due for a period of fifteen (15) or more days, a late charge may be imposed of 5% of the payment, or \$15.00, whichever is greater.

**Non-Sufficient Funds Fee:** \$27.00

To open your account, you must pay certain fees to creditors and third parties such as appraisers, credit reporting firms, and government agencies. These fees generally total between \$492.00-\$1,517.00. Upon request, we will provide you with an itemization of the fees you will have to pay to creditors and third parties.

**Refundability of Fees:** If you decide not to enter into this Plan within three business days of receiving this disclosure and the handbook entitled "What You Should Know About Home Equity Lines of Credit," you are entitled to a refund of any fees you may have already paid. If, however, you decide not to enter into this Plan after the three business day period, you will be charged the fees noted above.

**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.

**Access to the Plan:** You may obtain advances under your plan by mail, by telephone, by loan draft, online, or in person.

**Transaction Requirements:** The minimum initial credit advance must be at least \$10,000. Furthermore, the minimum initial credit advance must be in the amount necessary to cover the payoff balance related to any existing liens on the property. This is necessary to allow the Credit Union to sustain a first lien position on the property. Additionally, depending on your credit quality, the Credit Union also may require you to payoff additional debt as a condition of your loan approval. The minimum initial credit advance will be increased to cover this amount. There is no minimum requirement for subsequent advances.

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

**ANNUAL PERCENTAGE RATE and Periodic Rate:** The **ANNUAL PERCENTAGE RATE** is divided by 365 to obtain the periodic rate. The **ANNUAL PERCENTAGE RATE** does not include costs other than interest.

**Variable Rate Feature:** This Plan has a variable rate and the **ANNUAL PERCENTAGE RATE** and corresponding periodic rate and minimum payment can change as a result.

The **ANNUAL PERCENTAGE RATE** is based on the value of an index. The index is the highest rate of interest identified as the 'Prime Rate' in the 'Money Rates' section of the Wall Street Journal on the 15th day of each month (or the next business day after the 15th). To determine the **ANNUAL PERCENTAGE RATE** that will apply to your account, we add a margin based on your creditworthiness and other factors to the value of the index and then round to the nearest one-eighth point percentage (0.125%).

Ask us about the current index value, margin, and **ANNUAL PERCENTAGE RATE**. After you open an account, rate information will be provided on periodic statements that we send you.

**Rate Changes:** The **ANNUAL PERCENTAGE RATE** can change quarterly based on the index as of the 15th day (or the next business day after the 15th) of the month immediately prior to the date on which we make the change. The rate can not increase or decrease by more than 2 percentage points in any one year period. The **ANNUAL PERCENTAGE RATE** can not increase by more than 6 percentage points above the initial index plus margin. The **ANNUAL PERCENTAGE RATE** will never be less than the minimum rate disclosed on your Home Equity Open-end Credit Plan document. An example of a minimum rate that we used recently is 3.75%.

**Maximum Rate and Payment Example:** If you had an outstanding balance of \$10,000 at the beginning of the draw period, the minimum monthly payment at the maximum **ANNUAL PERCENTAGE RATE** of 9.25% would be \$100.00. This Annual Percentage Rate could be reached in the 25th month (2 years and 1 month).

If you had an outstanding balance of \$10,000 at the beginning of the repayment period, the minimum monthly payment at the maximum **ANNUAL PERCENTAGE RATE** of 9.25% would be \$102.92.

**Prepayment:** You may prepay all or any amount owing under this Plan without penalty unless we have paid your creditor and third party fees. If we have paid your creditor and third party fees, then the "Waiver of Creditor and Third Party Fees; Reimbursement" provision applies. Payment in full shall not terminate this agreement or cancel the security instrument securing this Plan unless you specifically request that we do so.

**Waiver of Creditor and Third Party Fees; Reimbursement:** If made available to you, we may pay your closing costs. However, if you payoff your line and close your Plan within 24 months of opening the Plan, you must reimburse us in the amount of the fees paid by us. We may take this amount from your shares and deposits with the credit union, or add it to your outstanding balance, unless other payment arrangements are made. If added to your balance, this amount becomes secured by your Mortgage or Deed of Trust, and our lien will not be extinguished or the Mortgage or Deed of Trust released until all amounts are paid in full.

**Historical Example:** The following table shows how the 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 15th day in April. If the 15th day is not a business day then the index values are from the next business day.

The table assumes that no additional credit advances were taken and that only the minimum payment was made. It does not necessarily indicate how the index or your payments would change in the future.

YEAR	INDEX (%)	MARGIN (1) (Percent)	ANNUAL PERCENTAGE RATE	MONTHLY PAYMENT (Dollars)
2002	8.00	0.00	8.00	\$100.00
2003	4.75	0.00	6.00 (2)	\$100.00
2004	4.25	0.00	4.25	\$100.00
2005	4.00	0.00	4.00	\$100.00
2006	5.75	0.00	5.75	\$100.00
2007	7.75	0.00	7.75	\$100.00
2008	8.25	0.00	8.25	\$100.00
2009	5.25	0.00	6.25 (2)	\$100.00
2010	3.25	0.00	4.25 (2)	\$100.00
2011	3.25	0.00	3.75 (3)	\$100.00
2012 (4)	3.25	0.00	3.75 (3)	\$13.40
2013	3.25	0.00	3.75 (3)	\$13.40
2014	3.25	0.00	3.75 (3)	\$13.40
2015	3.25	0.00	3.75 (3)	\$13.40
2016	3.50	0.00	3.75 (3)	\$13.40

1. This is a margin we have used recently; your margin may be different.
2. This rate reflects a 2.00 percentage point annual cap on decreases.
3. This rate reflects a minimum rate of 3.75%; your floor may be different.
4. The repayment period begins in this year.