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## Home Equity Early Disclosure

### IMPORTANT TERMS OF OUR HOME EQUITY LINE OF CREDIT PLAN – FLEX EQUITY WITH DISCOUNT

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.

**MINIMUM PAYMENT REQUIREMENTS:** You can obtain credit advances for 5 years. This period is called the "draw period." At our option, we may renew or extend the draw period. After the draw period ends the repayment period will begin. The length of the repayment period will be 1 year per \$1,000.00 of your balance at the beginning of the repayment period, but will never be longer than 15 years.

During the draw period, your payment will be 1% of the outstanding balance each month or \$50.00, 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 until the end of the draw period. If the interest rate increases so much that the minimum payment is not adequate to pay the accrued finance charges (interest), we will increase the billing percentage by the amount necessary to cover the

interest due. If the interest rate decreases after we make an adjustment for negative amortization your payment will remain the same.

At the beginning of the repayment period we will recalculate your payment. Your payment will be set to repay the balance at the current annual percentage rate over a number of years determined as follows: 1 year per \$1,000.00 of your balance at the beginning of the repayment period. Each time the annual percentage rate increases, we will adjust your payment to repay the balance within the original number of years. If the interest rate increases, you will be required to make a higher payment. In addition, every 2 years we will review your plan to determine if your payment is adequate to pay any insurance premium you have elected to add, and to repay your balance in full at the current annual percentage rate within the original number of years. If the payment is not adequate, we will adjust your payment to amortize the balance on your plan at the current annual percentage rate within the original number of years. If we make this adjustment and the annual percentage rate decreases, your payment will not decrease even if the annual percentage rate decreases. 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 end of the repayment period. 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 use, 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. Your payment will never be less than the smaller of \$50.00 or the full amount that you owe.

**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 14 years to pay off a credit advance of \$10,000 at an **ANNUAL PERCENTAGE RATE** of 7.75%. During that period, you would make 60 payments of \$81.12 to \$100.00, followed by 107 payments of \$104.22 and one (1) final payment of \$103.82.

**FEES AND CHARGES:** You must pay certain fees to third parties to open the plan. These fees generally total between \$\_\_\_\_\_ and \$\_\_\_\_\_. If you ask, we will provide you with an itemization of the fees you will have to pay third parties.

**FEE REIMBURSEMENT:** The credit union may pay bona fide third party fees on your behalf. However, if the credit union pays fees on your behalf and you close this plan within twelve months of the opening date, you will

have to reimburse the credit union for up to \$500.00 of those bona fide third party fees.

**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.

The following notice is required by New York law. You are required to obtain property insurance on the property that is security for your mortgage loan. We cannot require you to obtain an insurance policy in excess of the replacement cost of the improvements on the property securing the loan.

**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.

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

**ADDITIONAL HOME EQUITY PLANS:** Please ask us about our other available home equity line of credit plans.

**VARIABLE RATE FEATURE:** This plan has a variable rate feature and the annual percentage rate (corresponding to the periodic rate) may change. As a result, during the draw period you may be required to make more payments, and during the repayment period your minimum payment may increase. 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 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 10 days before the date of any annual percentage rate adjustment.

To determine the annual percentage rate that will apply to your account, we add a margin to the value of the Index. If the rate is not already rounded we then round up to the next .25%.

The initial rate is "discounted"- it is not based on the index and margin used for later rate adjustments. We have recently offered a discount rate that was in effect for 6 months. 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 quarterly on the first day of January, April, July and October after the expiration of any discount period. 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 the **ANNUAL PERCENTAGE RATE** go below 4.0% at any time during the term of the plan after the expiration of any discount period.

**FIXED RATE CONVERSION OPTION:** This plan has a fixed rate option (the "option") which you may exercise up to five (5) times during the draw period. Each exercise of the option must be for a minimum amount of \$5,000.00.

At each time you exercise the option, that portion of your balance will have a fixed rate. The fixed rate will be based upon a margin and index, which is the Wall Street Journal Prime Rate. You may exercise the option at different times and therefore could have different balances at different fixed rates as well as have a balance under the regular variable rate terms. You may not exercise the option if the credit limit would be exceeded. Your credit limit applies to the combined total of all amounts owing under the variable rate and fixed rate features of the Plan. All future advances will be at the current variable rate according to the terms previously disclosed unless another option is exercised.

When you exercise the option, you will need to sign a Fixed Rate Conversion Agreement. The Agreement will set forth the fixed rate, payment amount and other relevant terms. The fixed rate will be based upon the Prime Rate published in the "Money Rates" column of the Wall Street Journal plus a margin determined upon qualifying information obtained at the time of your original application for the Home Equity Line of Credit.

**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 7th payment.

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 \$180.22. This annual percentage rate could be reached at the time of the 1st payment.

**HISTORICAL EXAMPLE:** The following table 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 table assumes 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.

\*\*\*\*\* SEE DISCLOSURE TABLE ON FOLLOWING PAGE \*\*\*\*\*

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>	Monthly Payment (Dollars)
2009.....	3.250	0.25	5.750 <sup>(2)</sup>	100.00
2010.....	3.250	0.25	4.000 <sup>(3)</sup>	93.93
2011.....	3.250	0.25	4.000 <sup>(3)</sup>	86.68
2012.....	3.250	0.25	4.000 <sup>(3)</sup>	80.00
2013.....	3.250	0.25	4.000 <sup>(3)</sup>	73.83
2014.....	3.250	0.25	4.000 <sup>(3)</sup>	68.99
2015.....	3.250	0.25	4.000 <sup>(3)</sup>	68.99
2016.....	3.500	0.25	4.000 <sup>(3)</sup>	68.99
2017.....	3.750	0.25	4.000	68.99
2018.....	4.500	0.25	4.750	70.51
2019.....	5.500	0.25	5.750	72.24
2020.....	4.750	0.25	5.000	72.24
2021.....	3.250	0.25	4.000 <sup>(3)</sup>	72.24
2022.....	3.250	0.25	4.000 <sup>(3)</sup>	72.24
2023.....	7.500	0.25	7.750	72.24

<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.