

# HOME TOWN FEDERAL CREDIT UNION HOME EQUITY EARLY DISCLOSURE IMPORTANT TERMS OF OUR OPEN-END 90% LTV HOME EQUITY LINE OF CREDIT

This disclosure contains important information about our Open-End Home Equity Line of Credit. 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 have paid 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 line of credit; (2) You do not meet the repayment terms of the agreement; 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 reason mentioned above exists, (2) The value of the dwelling securing the line declines significantly below the appraisal value used to determine the credit limit; (3) We reasonably believe 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, or impairs our security interest such that the value of the interest is less than 120 percent of the credit line; (6) A regulatory agency has notified us that continued advances would constitute an unsafe and unsound business practice; or (7) The maximum ANNUAL PERCENTAGE RATE is reached.

**MINIMUM PAYMENT REQUIREMENTS:** You can obtain advances of credit for 10 years. This period is called the "draw period". At our option we may renew or extend the draw period. During the draw period you will make monthly payments which will be withdrawn electronically from your credit union checking account on a pre-determined recurring date equal to 1.00% of your outstanding balance as of your last advance date. Your payment will be rounded to the nearest whole dollar. 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 always be at least \$100. At the end of the draw period you will be required to pay the outstanding balance in full. The minimum monthly payment during the draw period will not fully repay the principal that is outstanding on your line. At the end of the draw period you will be required to pay the entire balance in a single "balloon" payment. 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 with us, you may have to pay some or all of the closing costs.

**MINIMUM VARIABLE-RATE PAYMENT EXAMPLE:** If you made only the minimum monthly payments and took no other credit advances, it would take 10 years to pay off a credit advance of \$10,000 at an ANNUAL PERCENTAGE RATE OF 9.50%. During that period you would make 119 monthly payments of \$100 and one final payment of \$6,064.59.

**FEES AND CHARGES:** You may be required to pay certain fees to third parties to open and maintain a line of credit. These fees generally total between \$0 and \$750.00. We will provide you with an itemization of the fees you will have to pay to third parties.

**PROPERTY INSURANCE:** You must carry insurance on the property that secures this plan; including flood insurance if it is determined that your property is located in an area designated a flood zone.

**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.

**MINIMUM CREDIT ADVANCE REQUIREMENTS:** The minimum credit advance is \$100.00.

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

**PLAN VARIABLE RATE INFORMATION:** This plan has a variable rate feature and the annual percentage rate (corresponding to the periodic rate) can change as a result. You may be required to make a larger balloon payment at maturity. 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 section of the Wall Street Journal. When a range of rates has been published, the highest rate is used. We will use the most recent index value available to us as of the business day before the date of any quarterly 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. Ask us for the current index value, margin and annual percentage rate. After you open a plan, rate information will be provided on periodic statements that we send to you.

**RATE CHANGES:** The annual percentage rate can change quarterly on the first day of January, April, July, and October. The rate cannot increase or decrease more than 2 percentage points per calendar year. The maximum ANNUAL PERCENTAGE RATE that can apply is 11.25% and the minimum ANNUAL PERCENTAGE RATE that can apply is 5.25%.

**MAXIMUM RATE AND PAYMENT EXAMPLES:** The maximum ANNUAL PERCENTAGE RATE of 11.25% could be reached in the 1st year. If you had an outstanding balance of \$10,000, the minimum monthly payment at the maximum ANNUAL PERCENTAGE RATE of 11.25% would be \$100.00.

**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 10 years. The index values are from the last business day of July of each year. While only one annual percentage rate per year is shown, rates may have varied during each year. This 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.

WALL STREET JOURNAL PRIME RATE INDEX TABLE

Year (as of the last business day of July)	Index (Percent)	Margin <sup>(1)</sup> (Percent)	ANNUAL PERCENTAGE RATE	Monthly Payment in Dollars
2014	03.250	1.00	05.250% (floor)	\$ 100.00
2015	03.250	1.00	05.250% (floor)	\$ 100.00
2016	03.500	1.00	05.250% (floor)	\$ 100.00
2017	04.250	1.00	05.250% (floor)	\$ 100.00
2018	05.000	1.00	05.250% (floor)	\$ 100.00
2019	05.500	1.00	05.250% (floor)	\$ 100.00
2020	03.250	1.00	05.250% (floor)	\$ 100.00
2021	03.250	1.00	05.250% (floor)	\$ 100.00
2022	05.500	1.00	06.500%	\$ 100.00
2023	09.500	1.00	09.500%	\$ 100.00 (2)

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

(2) 119 monthly payments of \$100 and one final payment of \$6,064.59.