



ATLANTIC REGIONAL FEDERAL CREDIT UNION
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Home Equity Early Disclosure

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.

HOME EQUITY PLANS: We offer two home equity plans, one with a 1.25% payment during the draw period, and one with an interest only payment during the draw period. Terms apply to both plans unless specifically stated to apply to only one of the plans.

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 15 years. You will be required to make monthly payments during both the draw and repayment periods.

During the **draw** period, you will repay the amount you owe under this Agreement by paying each month at least one of the following options:

1.25% of your outstanding balance at the time of my most recent advance, or \$100.00, whichever is greater. OR

Monthly interest only payments – under this option, during the draw period, your payment will be due monthly and will equal the finance charges that accrued on the outstanding principal balance during the preceding month, plus the full amount we have loaned you over the credit limit: or \$100.00 whichever is greater.

During the repayment period, payments will be due monthly. Your monthly payment will be computed as follows: Your payment will be set at the beginning of the Repayment Period and each month thereafter to yield a monthly payment necessary to fully amortize the outstanding balance, together with any finance charges over the remaining term at the current Annual Percentage Rate.

If the Annual Percentage Rate increases, the amount of your finance charges will increase, and the number or amount of your minimum payments may increase. You will receive a monthly statement showing the current Annual Percentage Rate.

For both the draw and repayment periods under both options, 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 during the repayment period will never be less than the smaller of \$100.00 or the full amount that you owe. Your payment must be made to the Credit Union no later than 30 days after the closing statement date on the most recent statement of your account. The amount of the required minimum payment will be shown on your monthly statement of account. You have the right to pay off part or all of the amount you owe any time before it is due without penalty. However, you must always make at least the minimum payment stated above even if you pay more than was required on earlier payment dates.

MINIMUM PAYMENT EXAMPLE:

1.25% Plan: If you made only the minimum monthly payment and took no other credit advances it would take 11 years 6 months to pay off a credit advance of \$10,000 at an **ANNUAL PERCENTAGE RATE** of 8.5%. During that period, you would make 60 payments of \$125.00, followed by 77 payments of \$100.00 and one (1) final payment of \$84.18.

Interest Only Plan: If you made only the minimum monthly payment and took no other credit advances it would take 14 years 7 months to pay off a credit advance of \$10,000 at an **ANNUAL PERCENTAGE RATE** of 8.5%. During that period, you would make 60 payments of \$100.00, followed by 114 payments of \$100.00 and one (1) final payment of \$59.55.

FEES AND CHARGES: You must pay certain fees to third parties to open the plan. These fees generally total between \$200.00 and \$900.00. If you ask, we will provide you with an itemization of the fees you will have to pay third parties.

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.

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

VARIABLE RATE FEATURE: This plan has a variable rate feature and the annual percentage rate (corresponding to the periodic rate) and the minimum payment amount or number of payments may change as a result. 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 on the first day 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 0.25%. 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 you.

RATE CHANGES: The annual percentage rate can change quarterly on the first day of January, April, July and October. There is no limit on the amount by which the annual percentage rate can change during any one year period. For the interest only plan the maximum **ANNUAL PERCENTAGE RATE** that can apply is 18.0% or the maximum permitted by law, whichever is less. For the 1.25% of the outstanding balance plan the maximum **ANNUAL PERCENTAGE RATE** that can

apply is 13.99% or the maximum permitted by law, whichever is less. However, under no circumstances will your **ANNUAL PERCENTAGE RATE** go below 3.75% at any time during the term of the interest only or 1.25% outstanding balance plan.

MAXIMUM RATE AND PAYMENT EXAMPLES: 1.25% Plan: Draw Period- If you had an outstanding balance of \$10,000, the minimum payment at the maximum **ANNUAL PERCENTAGE RATE** of 13.99% would be \$125.00. This annual percentage rate could be reached at the time of the 1st payment.

Repayment Period- If you had an outstanding balance of \$10,000, the minimum payment at the maximum **ANNUAL PERCENTAGE RATE** of 13.99% would be \$133.12. This annual percentage rate could be reached at the time of the 1st payment.

Interest Only Plan: Draw Period- If you had an outstanding balance of \$10,000, 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.

Repayment Period- If you had an outstanding balance of \$10,000, the minimum payment at the maximum **ANNUAL PERCENTAGE RATE** of 18.0% would be \$161.05. 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 as of 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.

WALL STREET JOURNAL PRIME RATE INDEX TABLE

Year (as of the last business day of January)	Index (Percent)	Margin ⁽¹⁾ (Percent)	ANNUAL PERCENTAGE RATE	Monthly Payment (Dollars)	Monthly Payment (Dollars) Interest Only Option
2011.....	3.250	1.00	4.250	125.00	100.00 ⁽²⁾
2012.....	3.250	1.00	4.250	125.00	100.00 ⁽²⁾
2013.....	3.250	1.00	4.250	125.00	100.00 ⁽²⁾
2014.....	3.250	1.00	4.250	125.00	100.00 ⁽²⁾
2015.....	3.250	1.00	4.250	125.00	100.00 ⁽²⁾
2016.....	3.500	1.00	4.500	100.00 ⁽²⁾	100.00 ⁽²⁾
2017.....	3.750	1.00	4.750	100.00 ⁽²⁾	100.00 ⁽²⁾
2018.....	4.500	1.00	5.500	100.00 ⁽²⁾	100.00 ⁽²⁾
2019.....	5.500	1.00	6.500	100.00 ⁽²⁾	100.00 ⁽²⁾
2020.....	4.750	1.00	5.750	100.00 ⁽²⁾	100.00 ⁽²⁾
2021.....	3.250	1.00	4.250	100.00 ⁽²⁾	100.00 ⁽²⁾
2022.....	3.250	1.00	4.250	100.00 ⁽²⁾	100.00 ⁽²⁾
2023.....	7.500	1.00	8.500	100.00 ⁽²⁾	100.00 ⁽²⁾
2024.....	8.500	1.00	9.500	100.00 ⁽²⁾	100.00 ⁽²⁾
2025.....	7.500	1.00	8.500	100.00 ⁽²⁾	100.00 ⁽²⁾

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

⁽²⁾ This payment reflects the minimum payment of \$100.00.