



## Important Terms of Your Flex Home Equity Line of Credit

This Disclosure contains important information about our Home Equity Lines of Credit. You should read it carefully and keep it for your records.

### Availability of Terms

All of the terms disclosed 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 paid to us or anyone else in connection with your application.

### Security Interest

We will take a mortgage on 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 and require you to pay us the entire outstanding balance in one payment if:

- a) You engage in fraud or material misrepresentation in connection with the line;
- b) You do not meet the repayment terms or,
- c) Your action or inaction adversely affects the collateral or our rights in the collateral.
- d) We do not receive the full amount of any minimum payment due by its due date or you fail to meet any of the other repayment terms of your agreement.

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

- a) The value of the dwelling securing the line declines significantly below its appraised value for purposes of the line;
- b) We reasonably believe 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 in the Agreement;
- d) Government actions prevent us from imposing the annual percentage rate provided for or that impair our security interest such that the value of the collateral is less than 120% of the credit line.
- e) A regulatory agency has notified us that continued advances would constitute an unsafe and unsound practice, or
- f) The maximum annual percentage rate is reached.
- g) The subject property no longer meets the "primary residence" requirements.
- h) Any person described herein as the "Borrower" specifically requests that no further advances be made under this Agreement (thereafter the right to obtain further advances under this Agreement will be reinstated by the Lender only upon the written request of all persons constituting the "Borrower" hereunder).

### Minimum Payment Requirements

You can obtain advances of credit for the first 10 years (the "draw period"). During the draw period, payments will be due monthly. Your minimum monthly payment will equal the FINANCE CHARGES that have accrued on the outstanding balance calculated as follows: The daily periodic rate multiplied by the Daily Balance. The FINANCE CHARGE for each day is added together to determine the amount of the FINANCE CHARGE for the billing cycle. If you pay the minimum payment only ("interest only"), you will not reduce your loan balance. By making additional payments, you will reduce your loan balance.

When the draw period ends, you will no longer be able to obtain credit advances and must pay the outstanding balance over 179 months (the "repayment period"). This may result in substantial payment increases. During the repayment period, payments will be due monthly. Your minimum payment will equal 1/179<sup>th</sup> of the balance that was outstanding at the end of the draw period plus the FINANCE CHARGES that have accrued on the outstanding balance calculated as follows: The daily periodic rate multiplied by the Daily Balance. The FINANCE CHARGE for each day is added together to determine the amount of the FINANCE CHARGE for the billing cycle.

**Minimum Payment Example: Prime Less .50% Margin** If you made only the minimum payments and took no other credit advances, it would take 24 years, 11 months to pay off a credit advance of \$10,000 at an ANNUAL PERCENTAGE RATE of 4.25%. During that period, you would initially make 120 monthly payments of \$35.42 (interest only) followed by 179 monthly payments ranging from \$56.06 to \$91.28 (principal plus interest).

### Property Insurance

The Borrower agrees to maintain property insurance in amounts as may be required by the Lender and to name it as a loss payee. The Borrower will maintain flood insurance as required by FEMA. The Borrower shall provide the Lender evidence of insurance. Borrower may obtain such insurance from any company, which is reasonably acceptable to the Lender.

### Minimum Draw Requirements

The minimum credit advance you can receive is \$500.00. The draw period may be terminated upon those conditions listed above under "Possible Actions".

### Tax Deductibility

You should consult a tax advisor regarding the deductibility of interest and charges for the line.

### Variable Rate Information

The line has a variable rate feature, and the ANNUAL PERCENTAGE RATE (corresponding to the periodic rate) and the minimum payment can change as a result. The annual percentage rate that will apply to your line 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 (if more than one Prime Rate is published, the higher rate shall be used), as published on the last business day of the previous month.

To determine the annual percentage rate, we add a margin to the value of the index which is rounded to the nearest one-quarter of one percent. Ask for our current index value, margin and annual percentage rate available on this and other products. After you open a credit line, rate information will be provided on periodic statements that we will send you.

**Rate Changes**

**Prime Less .50% Margin Product:** The annual percentage rate will change at the beginning of each monthly billing cycle. The maximum ANNUAL PERCENTAGE RATE that can apply will never be more than 18.00% or less than 3.25%.

Other than as disclosed in this section, there are no annual or more frequent periodic limitations on changes in the Annual Percentage Rate.

**Maximum Rate and Payment Examples**

If the ANNUAL PERCENTAGE RATE during the Draw Period equaled the 18.00% maximum and you had an outstanding balance of \$10,000, your minimum payment would be \$150.00 (interest only).

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 18.00% would be \$205.87. This annual percentage rate could be reached during the first month of the repayment period.

**Early Termination Fee**

In an effort to reimburse fees incurred by Metro Credit Union, you will be charged a \$500.00 early termination fee, not to exceed 2% of the credit line if you close out this home equity line of credit in the first 36 months.

**Fixed Rate Conversion Option:** At the sole discretion of the lender, the borrower may convert all or a portion (of at least \$5,000.00) of the outstanding line of credit to a fixed rate loan with principal and interest payments, but may not have outstanding at any time more than five Flex Loans. The fixed loan portion of the account will continue to be secured by this Flex Home Equity Line of Credit mortgage and the term for any Fixed Rate Loan Option cannot exceed the repayment maturity date of the home equity line of credit. The terms of the fixed rate are based on Metro Credit Union's published fixed rate second mortgage rates at the time of conversion.

**Fees and Charges**

To obtain and maintain a line of credit, you must pay certain fees to open a line. These fees generally are a total between \$0.00 to \$900.00. If you ask, we will give you an itemization of the fees you will have to pay. The lender may charge fees to your account for items such as return check charges of \$32.00, late fee of \$10.00 or 10% of the outstanding balance (whichever is less) after 15 days from due date and a future annual maintenance fee of \$25.00 may be charged (subject to proper advance notice).

**Historical 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 past 15 years. While only one payment per year is shown, payments would have varied during the year.

The tables assumes that no additional credit advances were taken, that only the minimum payments were made each month, 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.

		<i>Prime Less .50% Margin</i>			
	Year	Index	Margin**	ANNUAL PERCENTAGE RATE*	Minimum Monthly Payment
Draw Period	2006	7.50%	-.50%	7.00%	\$58.34
	2007	8.25%	-.50%	7.75%	\$64.59
	2008	6.00%	-.50%	5.50%	\$45.84
	2009	3.25%	-.50%	3.25%****	\$27.09
	2010	3.25%	-.50%	3.25%****	\$27.09
	2011	3.25%	-.50%	3.25%****	\$27.09
	2012	3.25%	-.50%	3.25%****	\$27.09
	2013	3.25%	-.50%	3.25%****	\$27.09
	2014	3.25%	-.50%	3.25%****	\$27.09
	2015	3.25%	-.50%	3.25%****	\$27.09
Repayment Period	2016	3.50%	-.50%	3.25%****	\$82.95
	2017	3.75%	-.50%	3.25%	\$81.13
	2018	4.50%	-.50%	4.00%	\$84.73
	2019	5.50%	-.50%	5.00%	\$89.15
	2020	4.75%	-.50%	4.25%	\$81.79

Note: Calculations are based on the assumption that all months have equal number of days.

\*The ANNUAL PERCENTAGE RATE (APR) is equal to the index rounded to the nearest one-quarter of one percent (.25%) available on last business day in January of each year.

\*\*This is a margin we have used most recently.

\*\*\*\*The ANNUAL PERCENTAGE RATE reflects a floor of 3.25%

Please keep for your records. February, 2020

