

**HORIZON CREDIT UNION**  
**HOME EQUITY LINE OF CREDIT ACCOUNT DISCLOSURES**

This disclosure contains important information about your Home Equity Line of Credit Account (“Account”). You should read it carefully and keep a copy for your records.

- 1. 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, to not enter into an agreement with us, you are entitled to a refund of any fees that you paid in connection with your application.
- 2. Security Interest.** We will take a deed of trust on your home. You could lose your home if you do not meet the obligations in your agreement with us.
- 3. Possible Actions.** We may take the following actions with respect to your Account under the circumstances listed below:
  - a) Termination and Acceleration.** We may terminate your Account and require you to pay us the entire outstanding balance immediately, and charge you certain fees if any of the following happen:
    - i)** You engage in any fraud or material misrepresentation in connection with your Account. For example, if there are false statements or omissions on your application or financial statements.
    - ii)** You do not meet the repayment terms of the Account.
    - iii)** Your action or inaction adversely affects the collateral or our rights in the collateral. For example, if you fail to: maintain insurance, pay taxes, transfer title to or sell the collateral, prevent the foreclosure of any items, or waste of the collateral.
  - b) Suspension of Credit/Reduction of Credit Limit.** We may refuse to make additional advances on your line or reduce your credit limit during any period in which the following exist or occur:
    - i)** Any of the circumstances listed in a. above.
    - ii)** The value of your dwelling securing the Account declines significantly below its appraised value for purposes of the Account.
    - iii)** We reasonably believe that you will not be able to meet the repayment requirements of the Account due to a material change in your financial circumstances.
    - iv)** You are in default under any material obligation of your Account.

All of your obligations under the Account (Agreement and Deed of Trust) are material to maintaining this Account. The categories of your obligations are set forth in the following paragraphs of these Agreements:

Home Equity Line of Credit Account Agreement. 1. Promise to Pay; 2. Account Access; 3. Loan Payments; 5. Security Requirements; 9. Other Charges and Closing Costs; 11. Possible Credit Union Actions; and 11.f. Credit Information/Financial Statements.

Line of Credit Trust Deed. 3. Payment and Performance; 4. Possession and Maintenance of the Property; 5. Indemnity; 6. Due on Sale; 7. Taxes and Liens; 8. Property Damage Insurance; 10. Warranty/Defense of Title; 11. Condemnation; 12. Imposition of Taxes; 13. Security Agreement; 14. Further Assurances/Attorney in Fact; 16. Possible Actions of Lender; 20. Attorney Fees; and 25. Miscellaneous Provisions.

- v) The maximum **ANNUAL PERCENTAGE RATE** under your Account is reached.
  - vi) Any government action prevents us from imposing the **ANNUAL PERCENTAGE RATE** provided for or impairs our security interest such that the value of the interest is less than 120% of the credit line.
  - vii) We have been notified by government agency that continued advances would constitute an unsafe and unsound practice.
- c) **Change in Terms.** The Agreement permits us to make certain changes to the terms of the Account at specified times or upon the occurrence of specified events.
4. **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 Payments will include all amounts past due, late charges, applicable insurance premiums, and the minimum monthly payment, as follows:
- a) **Equity Line of Credit (Regular).**
    - i) **Draw Period.** You can obtain credit advances for ten (10) years (“draw period”). During the draw period, payments will be due monthly. During the draw period, your minimum monthly payment will be equal to 1.00% of your Account balance at the end of the prior billing cycle, or \$100.00, whichever is greater.
    - ii) **Repayment Period.** After the draw period ends, you will no longer be able to obtain credit advances and must repay the outstanding balance (“repayment period”). During the repayment period payments will be due monthly. The length of the repayment period will vary based on changes in the **ANNUAL PERCENTAGE RATE**. The minimum monthly payment during the repayment period will be equal the amount necessary to payoff the Account in fifteen (15) years at the **ANNUAL PERCENTAGE RATE** at the beginning of the repayment period.
  - b) **Equity Line of Credit (Interest Only).**
    - i) **Draw Period.** You can obtain advances for three (3) years (“draw period”). During the draw period, your minimum monthly payment will equal the amount of accrued interest at the end of the billing cycle, or \$100, whichever is greater.
    - ii) **Repayment Period.** After the draw period ends, you will no longer be able to obtain credit advances and must repay the outstanding balance (“repayment period”). During the repayment period payments will be due monthly. The length of the repayment period will vary based on changes in the **ANNUAL PERCENTAGE RATE**. The minimum monthly payment during the repayment period will be equal the amount necessary to payoff the Account in fifteen (15) years at the **ANNUAL PERCENTAGE RATE** at the beginning of the repayment period.
  - c) **Manufactured Home Equity Line of Credit.**
    - i) **Draw Period.** You can obtain advances for five years (“draw period”). During the draw period, payments will be due monthly. Your minimum monthly payment will be equal to 1.00% of your Account balance at the end of the billing cycle, or \$100, whichever is greater.
    - ii) **Repayment Period.** After the draw period ends, you will no longer be able to obtain credit advances and must repay the outstanding balance (“repayment period”). During the repayment period payments will be due monthly. The length of the repayment period will vary based on changes in the **ANNUAL PERCENTAGE RATE**. The minimum monthly payment during the repayment period will be equal

the amount necessary to payoff the account in 15 years at the **ANNUAL PERCENTAGE RATE** at the beginning of the repayment period.

- d) **Equity Loans.** For certain collateral types, you may choose an equity loan. For equity loans, after the initial advance, you must repay the outstanding balance. You may obtain additional advances, subject to our credit and security verification. Your minimum monthly payment will be the amount necessary to amortize the balance over the remainder of the loan term.

#### 5. Minimum Payment Example.

- a) **Regular Account.** If you took a single \$10,000 advance at an **ANNUAL PERCENTAGE RATE** of 8.25% (the most recent index plus margin shown in the historical table) and made only the minimum monthly payments, it would take 300 months to pay off your Account. During that period you would make 120 monthly payments of \$100, and 180 payments of \$40.77.
- b) **Interest Only Account.** If you took a single \$10,000 advance at an **ANNUAL PERCENTAGE RATE** of 8.25% (the most recent index plus margin shown in the historical table) and made only the minimum monthly payments, it would take 216 months to pay off your Account. During that period you would make 36 monthly payments of \$68.75, and 180 payments of \$97.01.
- c) **Manufactured Home Account.** If you took a single \$10,000 advance at an **ANNUAL PERCENTAGE RATE** of 8.25% (the most recent index plus margin shown in the historical table) and made only the minimum monthly payments, it would take 240 months to pay off your Account. During that period you would make 60 monthly payments of \$100, and 180 payments of \$74.59.
- d) **Equity Loans.** If you took a single \$10,000 advance at an **ANNUAL PERCENTAGE RATE** of 7.49% (a recent rate we have offered) and made only the minimum monthly payments, it would take 180 months to pay off your Account. During that period you would make 180 monthly payments of \$92.64.

#### 6. Fees and Charges. In order to open and maintain the line, you must pay certain fees and charges.

##### a) Credit Union Fees.

- i) **Prepayment Fees.** If you pay off your Account and close it within two years after the date it is opened, you will be required to repay to the Credit Union any fees or costs that were waived at the time your Account is opened. These fees or costs will be listed on your advance voucher at the time the Account is opened.
- ii) **Annual Fee.** You will be charged an annual fee of \$50 each year on the anniversary date of your Account.

- b) **Third Party Fees.** You must pay certain fees to third parties such as appraisers, credit reporting firms, and government agencies. In addition, you must carry insurance on the property that secures this Account. The amount of these fees depends on the amount of the line of credit, and generally total between \$710 - \$1,160. For example, on a \$10,000 line of credit/equity loan the following estimated fees must be paid to third parties:

Appraisal Fee:	\$ _____
Title Insurance:	\$ _____ - \$ _____ (varies depending on amount of the line of credit)
Reconveyance Fee:	\$ _____
Flood Hazard Determination:	\$ _____
Recording Fee:	\$ _____ - \$ _____
Tax Service:	\$ _____
Credit Report Fee:	\$ _____

7. **Tax Deductibility.** You should consult a tax advisor regarding the deductibility of interest and charges under the plan.
8. **Annual Percentage Rate and Periodic Rate.** The **ANNUAL PERCENTAGE RATE** is divided by 365 to obtain the Periodic Rate. The **ANNUAL PERCENTAGE RATE** includes only interest and not other costs.
9. **Fixed Rate Loans.** For Equity Loans, your **ANNUAL PERCENTAGE RATE** is fixed at the time of each advance. The Periodic Rate and **ANNUAL PERCENTAGE RATE** will be shown on the Advance Voucher at the time of the advance.

**10. Variable Rate Features.**

a) **ANNUAL PERCENT RATE.** For variable rate Accounts, the **ANNUAL PERCENTAGE RATE** (corresponding to the periodic rate) may change. The **ANNUAL PERCENTAGE RATE** is based on the value of an index. The index is the Prime Rate as published in The Wall Street Journal (Western Edition) 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 take the value of the index on the 15th day of each month (or the next business day after the 15th) and add a margin determined based on the loan amount and loan to value ratio, and round up to the nearest one-eighth percentage point (0.125%). You initial rate may be discounted and not based on the index and margin used for later rate adjustments. Ask us for the current index value, margin, discount, and **ANNUAL PERCENTAGE RATE**. After you open an Account, rate information will be provided on periodic statements that we will send you.

**b) Rate Changes.**

i) **Equity Lines of Credit and Regular Equity Loans.** The **ANNUAL PERCENTAGE RATE** may change quarterly after any fixed or discounted period based on the index as of the 15th day of the previous month (or the next business day after the 15th). The maximum **ANNUAL PERCENTAGE RATE** that can apply over the life of the loan is six percentage points over your initial index plus margin. The **ANNUAL PERCENTAGE RATE** will not increase or decrease more than two percentage points per calendar year. An increase or decrease in the **ANNUAL PERCENTAGE RATE** will affect the number of monthly payments or the amount of the final payment for your Account. However, if your monthly payment is insufficient to cover the accrued interest each month, we may increase your payment to the amount needed to cover the accrued interest.

ii) **5/1 Equity Loans.** For 5/1 Equity Loans, the initial **ANNUAL PERCENTAGE RATE** will remain in effect until the fifth anniversary of the initial loan date. On that date, and on the same day each year thereafter, the **ANNUAL PERCENTAGE RATE** will be adjusted based on the index as published on

the first day of the month in which the anniversary date occurs. The **ANNUAL PERCENTAGE RATE** will not increase by more than six percentage points over the initial index plus margin. Any increase or decrease in the **ANNUAL PERCENTAGE RATE** will affect the number of payments you will make under the Agreement. If the amount of the payment is not sufficient to cover accrued **FINANCE CHARGE**, negative amortization will occur. Negative amortization increases the amount you owe us and decreases the equity in your home

**11. Maximum Rate and Payment Examples.** If you had an outstanding balance of \$10,000 at the beginning of your Account, the minimum monthly payment at the maximum **ANNUAL PERCENTAGE RATE** of 12.50% (six percentage points above the index plus margin shown for the current year in the table below) would be \$100 for a Regular Account or Manufactured Home Account and \$104.17 for an Interest Only Account. This **ANNUAL PERCENTAGE RATE** could be reached during the fourth year of the Account. 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** would be \$123.25. This rate could be reached during the fourth year of the repayment period.

**12. Historical Example.** The following table shows how the **ANNUAL PERCENTAGE RATE** and the minimum monthly payments for a single \$10,000 credit advance on a home equity line of credit would have changed based on changes in the index over the last 15 years. The index values are from December 15 of the prior year. While only one payment amount 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 payment was made each month, and that the rate remained constant during each year. It does not necessarily indicate how the index or your payments would change in the future.

<u>Year</u>	<u>Index</u> (%)	<u>Margin*</u> (%)	<u>ANNUAL PERCENTAGE RATE</u> (%)	<u>Regular Account Minimum Monthly Payment</u> (\$)	<u>Interest Only Account Minimum Monthly Payment</u> (\$)	<u>Manufactured Home Account Minimum Monthly Payment</u> (\$)
1992	6.50	1.00	4.49***	100.00	100.00	100.00
1993	6.00	1.00	7.00	100.00	DRAW	100.00
1994	6.00	1.00	7.00	100.00	PERIOD	100.00
1995	8.50	1.00	9.00**	100.00	REPAYMENT	81.63
1996	8.50	1.00	9.50	100.00	PERIOD	81.63
1997	8.25	1.00	9.25	100.00	81.63	DRAW
1998	8.50	1.00	9.50	100.00	81.63	PERIOD
1999	7.75	1.00	8.75	100.00	81.63	77.31
2000	8.50	1.00	9.50	DRAW	81.63	77.31
2001	9.50	1.00	10.50	PERIOD	81.63	77.31
2002	4.75	1.00	8.50**	REPAYMENT	57.31	77.31
2003	4.25	1.00	6.50**	PERIOD	57.31	77.31
2004	4.00	1.00	5.00	57.31	81.63	77.31
2005	5.00	1.00	6.00	57.31	81.63	77.31
2006	7.25	1.00	8.00**	57.31	81.63	77.31

Five Year Fixed Rate Equity Loan

<u>Year</u>	<u>Index</u> (%)	<u>Margin*</u> (%)	<u>ANNUAL PERCENTAGE RATE</u> (%)	<u>Minimum Monthly Payment</u> (\$)
1992	6.50	1.00	7.50	92.70
1993	6.00	1.00	7.50	92.70
1994	6.00	1.00	7.50	92.70
1995	8.50	1.00	7.50	92.70
1996	8.50	1.00	7.50	92.70
1997	8.25	1.00	9.25	92.70
1998	8.50	1.00	9.50	92.70
1999	7.75	1.00	8.75	92.70
2000	8.50	1.00	9.50	92.70
2001	9.50	1.00	10.50	92.70
2002	4.75	1.00	5.75	92.70
2003	4.25	1.00	5.25	92.70
2004	4.00	1.00	5.00	92.70
2005	5.00	1.00	6.00	92.70
2006	7.25	1.00	8.25	92.70

\* This is a margin we have used recently for 80% LTV home equity accounts.

\*\* This rate reflects a 2% annual adjustment cap.

\*\*\* This rate reflects a discount we have used recently.