

# Advance Truth-in-Lending Disclosure

## *Important Terms of the Frontwave Credit Union*

### HOME EQUITY LINE OF CREDIT

#### EQUITY ADVANTAGE - OWNER OCCUPIED RESIDENCE - INTEREST-ONLY

This disclosure contains important information about the Frontwave Credit Union Home Equity Line of Credit. Please read it carefully and keep it for your records. As used in this disclosure, the words YOU and YOUR mean each and all of the persons who sign an agreement with the Lender, that is, the borrowers. The words WE and US mean the Frontwave Credit Union, that is, the Lender.

#### 1. Availability of Terms

All of the terms described below are subject to change. If these terms change (other than the **ANNUAL PERCENTAGE RATE (APR)**) and you decide, as a result, not to enter into an agreement with us, you are entitled to a refund of any fees you paid to us or anyone else in connection with your application.

#### 2. 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.

#### 3. Possible Actions

We can terminate your credit line, require you to pay us the entire outstanding balance in one payment, and charge you certain fees if:

- You engage in fraud or material misrepresentation in connection with the line of credit.
- You do not meet the repayment terms.
- 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:

- The value of your dwelling securing the line of credit declines significantly below its appraised value for purposes of the credit line.
- We reasonably believe you will not be able to meet the repayment requirements due to a material change in your financial circumstances.
- You are in default of a material obligation in the agreement, including, but not limited to, Borrower's failure to continuously occupy the property.
- 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 percent of the credit line.
- A regulatory agency has notified us that continued advances would constitute an unsafe or unsound practice.
- The maximum **ANNUAL PERCENTAGE RATE** is reached.

The initial agreement permits us to make certain changes to the terms of the agreement at specified times or upon the occurrence of specified events.

#### 4. Access and Payment Information

You can obtain advances of credit for 10 years (the Draw Period). During the Draw Period payments will be due monthly and will be due on the 24th of each month. The amount of your minimum monthly payment will be adjusted monthly. The payment will be interest only during the Draw Period. After the Draw Period ends, you will no longer be able to obtain credit advances and you must pay the outstanding balance over 15 years (the Repayment Period). During the Repayment Period, your monthly payment will then be 1.0% of the outstanding balance on your Account.

In no event will your minimum payment be less than \$100 unless the outstanding balance on your line of credit is less than that amount, in which case your minimum payment will be the amount of your outstanding balance. Under this payment plan, paying only the minimum monthly payment may repay less than the outstanding balance on your line of credit if subsequent advances are taken. You will then be required to pay the entire balance in a single balloon payment. Under some circumstances your payments may not cover the finance charges that accrue and "negative amortization" will occur. Negative amortization will increase the amount that you owe us and will also reduce your equity in your home. You may make larger payments on your account at any time and you may repay all or any portion of the amounts that you may owe to us at any time without penalty. All payments will be applied first to fees, then to interest, then to the outstanding balance of the Account.

#### 5. Minimum Payment Example

If you made only the minimum payments and took no other credit advances, it would take 9 years and 10 months to pay off a credit advance of \$10,000 at an **ANNUAL PERCENTAGE RATE** of 3.50%. During that period, you would make 117 monthly payments of \$100 and one final payment of \$40.37.

#### 6. Fees\* & Charges

To open and maintain a line of credit you must pay certain fees to third parties. These fees generally total between \$433 and \$847.

If you ask, we will give you an itemization of the fees you will have to pay to third parties. All fees associated with originating the loan will be waived provided the line of credit remains open for a minimum of thirty-six (36) months from the date of the loan. If the line of credit is paid off and closed within thirty-six (36) months from the date of the loan, you will be required to pay an Early Closure Fee of \$500, in addition to any fees required to reconvey the security on the loan.

#### 7. **Hazard Insurance**

You must maintain hazard insurance coverage on your home naming us as the loss payee and insuring the property against loss or damage from fire and other perils. You must also maintain flood insurance if your property is located in an area designated as an area having special flood hazards. The proceeds of any insurance policy on the property, whether or not required by us, shall be applied solely to repairs of the property or repayment of the loan.

No lender shall require a borrower, as a condition of receiving or maintaining a loan secured by real property, to provide hazard insurance coverage against risks to the improvements on that real property in an amount exceeding the replacement value of the improvements on the property.

#### 8. **Tax Deductibility**

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

#### 9. **Variable-Rate Feature**

The line of credit has a variable-rate feature, and the **ANNUAL PERCENTAGE RATE** (corresponding to the periodic rate) and the number of payments can 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 defined as the Prime Rate as regularly published in the Money Rates table of *The Wall Street Journal*. When a range of rates is published, the highest rate will be selected. To determine the **ANNUAL PERCENTAGE RATE** that will apply to your line of credit, we add a margin to the value of the index. Ask us for the current index value, margin, discount, rate limitations and **ANNUAL PERCENTAGE RATE**. After you open a line of credit, rate information will be provided on periodic statements that we send you.

#### 10. **Rate Changes**

The **ANNUAL PERCENTAGE RATE** can change monthly on the 25th day of the month. There is no limit on the amount by which the rate can change on any Change Date. The maximum **ANNUAL PERCENTAGE RATE** that can apply is 12%. In no event will the **ANNUAL PERCENTAGE RATE** be less than 2.00%.

#### 11. **Maximum Rate and Payment Example**

If you had an outstanding balance of \$10,000 the minimum monthly payment at the maximum **ANNUAL PERCENTAGE RATE** of 12% would be \$100. This **ANNUAL PERCENTAGE RATE** could be reached in the first year.

#### 12. **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 July of each year. While only one payment option per year is shown, payments could 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. The margin disclosed is one used recently.

**HISTORICAL TABLE**

<b>YEAR</b>	<b>INDEX</b>	<b>MARGIN</b>	<b>APR</b>	<b>MIN. MO. PMT.</b>
<b>2009</b>	3.25%	0.25%	3.50%	100.00
<b>2010</b>	3.25%	0.25%	3.50%	100.00
<b>2011</b>	3.25%	0.25%	3.50%	100.00
<b>2012</b>	3.25%	0.25%	3.50%	100.00
<b>2013</b>	3.25%	0.25%	3.50%	100.00
<b>2014</b>	3.25%	0.25%	3.50%	100.00
<b>2015</b>	3.25%	0.25%	3.50%	100.00
<b>2016</b>	3.50%	0.25%	3.75%	100.00
<b>2017</b>	4.25%	0.25%	4.50%	100.00
<b>2018</b>	5.00%	0.25%	5.25%	0.00
<b>2019</b>	5.50%	0.25%	5.75%	0.00
<b>2020</b>	3.25%	0.25%	3.50%	0.00
<b>2021</b>	3.25%	0.25%	3.50%	0.00
<b>2022</b>	4.75%	0.25%	5.00%	0.00
<b>2023</b>	8.25%	0.25%	8.50%	0.00

Review