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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.

**MINIMUM PAYMENT REQUIREMENTS:** You can obtain credit advances for 10 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 depend on the balance at the time of the last advance you obtain before the draw period ends but it will never exceed 20 years. You will be required to make monthly payments during both the draw and repayment periods. At the time you obtain a credit advance a payoff period of 360 monthly payments will be used to calculate your payment. The payoff period will always be the shorter of the payoff period for your outstanding balance or the time remaining to the maturity date. Your payment will be set to repay the balance after the advance, at the current annual percentage rate, within the payoff period. Each month we will adjust your payment to repay the outstanding balance within the remaining payoff period. 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 never be less than the smaller of \$100.00, or the full amount that you owe.

**NEGATIVE AMORTIZATION:** Under some circumstances, your payment will not cover the finance charges (interest) that accrue and

"negative amortization" will occur. Negative amortization will increase the amount that you owe us and reduce the equity in your home.

**MINIMUM PAYMENT EXAMPLE:** If you made only the minimum monthly payment and took no other credit advances it would take 20 years to pay off a credit advance of \$10,000 at an **ANNUAL PERCENTAGE RATE** of 10.5%. During that period, you would make 239 payments of \$100.00 and one (1) final payment of \$0.69.

**FEES AND CHARGES:** In order to open, use and maintain a line of credit plan, you must pay the following fees to us:

**Annual Fee:** An annual fee of \$50.00 will be charged to your account on or after each anniversary during the draw period.

You may pay certain fees to third parties to open the plan. These fees generally total between \$200.00 and \$750.00. If you ask, we will provide you with an itemization of the fees you may have to pay third parties. When this home equity line of credit is paid in full and closed, you agree to pay all costs associated with recording the satisfaction of the applicable security interest, including but not limited to the mortgage, deed of trust, security deed or security agreement, in your dwelling which is described in the Home Equity Addendum.

**FEE REIMBURSEMENT:** Desert Financial Credit Union will waive your payment of the closing costs for this loan. The fees we waive will be disclosed on the Home Equity Addendum you receive at closing. These costs are out-of-pocket expenses incurred by Desert Financial Credit Union in closing this loan, including, but not limited to, appraisal, title report/insurance, recording fees, and flood certification ("bona-fide third party costs"). You agree to reimburse Desert Financial Credit Union for these bona-fide third party costs if you payoff and close the loan within three (3) years after the closing date of the loan. These bona-fide third party costs do not include points or any applicable origination fees, which are not waived. If you request a second appraisal and/or other type of service that provides an additional valuation of your property, all fees and costs for those services are your responsibility. These additional appraisals or valuations must be ordered through Desert Financial Credit Union.

**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 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. We will use the most recent index value available to us as of the 25th day of the month preceding each annual percentage rate adjustment or the next business day if the 25th falls on a weekend or a federal holiday. 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 you.

**RATE CHANGES:** The annual percentage rate can change on the first day of each month. There is no limit on the amount by which the annual percentage rate can change during any one year period. The maximum **ANNUAL PERCENTAGE RATE** that can apply is 24.0% or the maximum permitted by law, whichever is less. However, under no circumstances will your **ANNUAL PERCENTAGE RATE** go below 4.0% at any time during the term of the plan.

**MAXIMUM RATE AND PAYMENT EXAMPLES:** If you had an outstanding balance of \$10,000, the minimum payment at the maximum **ANNUAL PERCENTAGE RATE** of 24.0% would be \$200.27. This annual percentage rate could be reached at the time of the 1<sup>st</sup> payment.

**FIXED RATE OPTION:** This plan has a fixed rate option (the "option") which you may exercise for up to three (3) advances at any one time. The option must be exercised for an advance of at least \$10,000.00. At the time that you exercise the option, that portion of your balance will have a fixed rate. You may exercise the option at different times and therefore have different "Fixed Rate Loan Portions." You may not exercise the option if your credit limit will be exceeded. Your credit limit will apply to the combined total of all amounts owing under the variable and fixed rate features. All future advances will be at the current variable rate according to the terms disclosed above, unless the option is exercised. When you exercise the option, the interest rate will be fixed

on the balance you elect until the balance is repaid. Your fixed interest rate will be equal to the value of the Prime Rate published in *The Wall Street Journal* at the time you exercise the option plus a margin. You can call us to find out the then current prime rate and margin. If you elect the option, your minimum payment will be calculated separately from the minimum payment on your variable rate and other Fixed Rate Loan Portions. A payoff period of up to 360 monthly payments, not to exceed the time remaining to maturity, will be used to calculate your payment on each option. Your payment will be set to repay the balance, at the applicable fixed rate, within the payoff period. Your payment will include all amounts past due and all other charges.

If there are multiple borrowers on this plan, each borrower agrees that either borrower may exercise the Option without the signature of the other. Each borrower agrees to repay, and be liable for, the amount of any advance as to which the Option is exercised by either borrower at the applicable fixed rate and on the terms set forth herein and in the original loan agreement, including any interest, fees, and costs. Notwithstanding any term to the contrary, each borrower grants to the other the authority to exercise the Option on behalf of both borrowers, and expressly waives the right to review or sign the voucher or any other document whereby his or her co-borrower exercises the Option.

**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 <sup>(1)</sup> (Percent)	ANNUAL PERCENTAGE RATE	Monthly Payment (Dollars)
2010.....	3.250	2.00	5.250	\$100.00 <sup>(2)</sup>
2011.....	3.250	2.00	5.250	\$100.00 <sup>(2)</sup>
2012.....	3.250	2.00	5.250	\$100.00 <sup>(2)</sup>
2013.....	3.250	2.00	5.250	\$100.00 <sup>(2)</sup>
2014.....	3.250	2.00	5.250	\$100.00 <sup>(2)</sup>
2015.....	3.250	2.00	5.250	\$100.00 <sup>(2)</sup>
2016.....	3.500	2.00	5.500	\$100.00 <sup>(2)</sup>
2017.....	3.750	2.00	5.750	\$100.00 <sup>(2)</sup>
2018.....	4.500	2.00	6.500	\$100.00 <sup>(2)</sup>
2019.....	5.500	2.00	7.500	\$100.00 <sup>(2)</sup>
2020.....	4.750	2.00	6.750	\$100.00 <sup>(2)</sup>
2021.....	3.250	2.00	5.250	\$100.00 <sup>(2)</sup>
2022.....	3.250	2.00	5.250	
2023.....	7.500	2.00	9.500	
2024.....	8.500	2.00	10.500	

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

<sup>(2)</sup> This payment reflects the minimum payment of \$100.00.