



Advance Truth-in-Lending Disclosure

Important Terms of the Merced School Employees Federal Credit Union

HOME EQUITY LINE OF CREDIT

This disclosure contains important information about the Merced School Employees Federal Credit Union Home Equity Line of Credit. You should read it carefully and keep a copy for your records. As used hereinbelow, 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 Credit Union, that is, the Lender.

1. Availability of Terms

All of the terms stated 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 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.
- 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. Minimum Draw Requirements

The minimum advance that you can receive is \$500.

5. Minimum Payment Requirements

You can obtain advances of credit for four and one half (4 1/2) years (the "Draw Period"). During the Draw Period, payments will be due monthly. Your minimum monthly payment will be determined according to the following schedule after each advance received by you.

| UNPAID BALANCE | MINIMUM PAYMENT | UNPAID BALANCE | MINIMUM PAYMENT |
|------------------|-----------------|-------------------|-----------------|
| up to \$10,000 | \$100 | 50,001 to 55,000 | \$550 |
| 10,001 to 15,000 | 150 | 55,001 to 60,000 | 600 |
| 15,001 to 20,000 | 200 | 60,001 to 65,000 | 650 |
| 20,001 to 25,000 | 250 | 65,001 to 70,000 | 700 |
| 25,001 to 30,000 | 300 | 70,001 to 75,000 | 750 |
| 30,001 to 35,000 | 350 | 75,001 to 80,000 | 800 |
| 35,001 to 40,000 | 400 | 80,001 to 85,000 | 850 |
| 40,001 to 45,000 | 450 | 85,001 to 90,000 | 900 |
| 45,001 to 50,000 | 500 | 90,001 to 95,000 | 950 |
| | | 95,001 to 100,000 | 1000 |

In no event will your minimum payment be less than \$100, unless the amount that you owe us is less, in which case that lesser amount will be the minimum payment. After the Draw Period ends, you will no longer be able to obtain credit advances and must repay the outstanding balance (the "Repayment Period"). The length of the Repayment Period is six (6) months. During the Repayment Period, your minimum monthly payment will remain the same as determined after your last advance. 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 payment may not pay in full the finance charges that accrue and "negative amortization" will occur. Negative amortization will increase the amount that you owe us and reduce your equity in your home.

6. Minimum Payment Example

If you made only the minimum payments and took no other credit advances, it would take 5 years to pay off a credit advance of \$10,000.00 at an **ANNUAL PERCENTAGE RATE** of 6.00%. During that period, you would make 59 monthly payments of \$100 and one final payment of \$6,611.50.

7. Fees & Charges

To open and maintain a line of credit, you must pay us the following fees:

a) Direct Fees:

Application Fee: \$100.00 *(due at the time the account is opened)*

b) You also must pay certain fees to third parties to open a line of credit. These fees generally total between \$895.00 and \$1,025.00. If you ask, we will give you an itemization of the fees you will have to pay to third parties.

8. 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. 0.

9. Tax Deductibility

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

10. Variable-Rate Feature

The line of credit has a variable-rate feature, and the **ANNUAL PERCENTAGE RATE** (corresponding to the periodic rate) and the minimum monthly payment (or number of payments) can change as a result. The **ANNUAL PERCENTAGE RATE** includes only interest and not other costs. The **ANNUAL PERCENTAGE RATE** is based on the value of an index. The index is described as the Federal Discount Rate as published weekly in the "Money Rates" section of the *Wall Street Journal*. 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 and **ANNUAL PERCENTAGE RATE**. After you open a line of credit, rate information will be provided on periodic statements that we send you.

11. Rate Changes

The **ANNUAL PERCENTAGE RATE** can change quarterly on February 1, May 1, August 1 and November 1. The rate cannot increase by more than one percentage point in any one year period. The maximum **ANNUAL PERCENTAGE RATE** that can apply is 18%. In no event will the **ANNUAL PERCENTAGE RATE** be less than 6%.

12. Maximum Rate and Payment Example

If you had an outstanding balance of \$10,000.00 the minimum monthly payment at the maximum **ANNUAL PERCENTAGE RATE** of 18.00% would be \$100. This **ANNUAL PERCENTAGE RATE** could be reached in twelve years from the date of the Agreement.

13. 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 January 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

| Year | Index | Margin | APR | Min. Mo. Pmt. |
|------|-------|--------|----------|---------------|
| 2003 | 0.75% | 2.50% | 6.00% ** | 100.00 |
| 2004 | 2.00% | 2.50% | 6.00% ** | 100.00 |
| 2005 | 3.25% | 2.50% | 6.00% ** | 100.00 |
| 2006 | 5.25% | 2.50% | 7.00% * | 100.00 |
| 2007 | 6.25% | 2.50% | 8.00% * | 100.00 |
| 2008 | 4.75% | 2.50% | 7.25% | 0.00 |
| 2009 | 0.50% | 2.50% | 6.25% * | 0.00 |
| 2010 | 0.50% | 2.50% | 6.00% ** | 0.00 |
| 2011 | 0.75% | 2.50% | 6.00% ** | 0.00 |
| 2012 | 0.75% | 2.50% | 6.00% ** | 0.00 |
| 2013 | 0.75% | 2.50% | 6.00% ** | 0.00 |
| 2014 | 0.75% | 2.50% | 6.00% ** | 0.00 |
| 2015 | 0.75% | 2.50% | 6.00% ** | 0.00 |
| 2016 | 1.00% | 2.50% | 6.00% ** | 0.00 |
| 2017 | 1.25% | 2.50% | 6.00% ** | 0.00 |

* This rate represents the maximum rate adjustment of 1.00% per year.

** This rate reflects the minimum **Annual Percentage Rate** of 6.00%