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## HOME EQUITY LINE OF CREDIT (HELOC) PLAN DESCRIPTION

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**This disclosure contains important information about our Home Equity Line of Credit. 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 prior to the opening of your Home Equity Line of Credit. If a disclosed term changes (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 HELOC application.

**2. SECURITY INTEREST AND RISK TO HOME:** We will acquire a security interest in your home. You could lose your home in the event you fail to meet the obligations contained in your agreement.

**3. POSSIBLE ACTIONS:** Under certain circumstances described below, we may terminate your HELOC and require you to pay us the entire outstanding balance in a single payment, and charge you certain fees, and/or suspend or reduce your credit limit.

**a) TERMINATION AND ACCELERATION:** We can terminate your account, require you to pay us the entire outstanding balance in a single payment, and charge you certain fees if any of the following occur:

- (i)** You engage in fraud or material misrepresentation at any time in connection with the Plan. This can include, for example, a false statement about your income, assets, liabilities, or any other aspect of your financial condition,
- (ii)** Your action or inaction adversely affects the collateral for the Plan or our rights in the collateral. This can include, for example, failure to maintain required insurance, waste or destructive use of the dwelling, failure to pay taxes, death of all persons liable on the account, transfer of title or sale of the dwelling, creation of a senior lien on the dwelling without our permission, foreclosure by the holder of another lien, or the use of funds on the dwelling for prohibited purposes, or
- (iii)** You fail to meet the repayment terms of your agreement with us.

**b) SUSPENSION OR REDUCTION:** In addition to any other rights we may have, we can refuse to make additional extensions of credit or reduce your credit limit during any period in which any of the following are in effect:

- (i)** The value of the dwelling declines significantly below its appraised value for purposes of the plan. This includes, for example, a decline such that the initial difference between the credit limit and the available equity is reduced by fifty percent and may include a smaller decline depending on the individual circumstances,
- (ii)** We reasonably believe that you will be unable to fulfill your payment obligations under the Plan due to a material change in your financial circumstances, You are in default of a material obligation of the Plan
- (iii)** The property is not continuously occupied as the personal residence of at least one borrower,
- (iv)** We are precluded by government action from imposing the annual percentage rate provided for in the agreement,

- (v) 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 limit,
- (vi) We have been notified by a regulatory agency that continued advances would constitute an unsafe and unsound business practice, or
- (vii) The maximum ANNUAL PERCENTAGE RATE is reached.

**4. CHANGE IN TERMS:** We may make changes to the terms of the Plan if you agree to the change in writing at that time, if the change will unequivocally benefit you through the remainder of the Plan, or if the change is insignificant (such as changes relating to our data processing systems). 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.

**5. FEES AND CHARGES:** In order to open and maintain an account, you must pay certain fees and charges.

**a) Fees And Charges Payable To Cove Federal Credit Union:**

Description

Amount

When Charged

Application Fee

\$300.00

Prior to Opening the Credit Line

Annual Maintenance Fee

\$50.00

Annually\*

\*Cove Federal Credit Union will waive this fee for the first year of your plan and then charge the fee to your account on the first anniversary of the plan and each year thereafter.

Our pricing policy on Annual Fees is subject to change.

**b) Late Charge:** Your "Payment Due Date" will be the 20th of each month. Your payment will be late if it is not received by us within 10 days after the Payment Due Date. If your payment is late, we may charge you 4% of the payment amount due or \$10.00, whichever is greater.

**c) Fees and Charges payable to Third Parties:** Cove will obtain credit report(s), a Special Flood Hazard Area Determination, a title opinion, an exterior appraisal, and will record the security instrument at our expense. Additional services required or requested as a result of the analysis of these items will be the responsibility of the member.

**d) REFUNDABILITY OF FEES:** If you decide not to enter into this plan within three days of receiving this disclosure and the Home Equity booklet, you are entitled to a refund of any fee(s) you may have already paid.

**6. PROPERTY INSURANCE:** You must carry insurance on the property that secures the plan. If the property is located in a Special Flood Hazard Area, we will require you to obtain flood insurance. You may obtain this insurance from an insurance company of your choice that is acceptable to us. You must name Cove Federal Credit Union as a loss payee and furnish us with satisfactory proof of insurance throughout the term life of the loan.

**7. MINIMUM PAYMENT REQUIREMENTS:** You may obtain credit advances for ten (10) years. This is known as the "Draw Period". During the draw period, you may withdraw (advance) funds up to your credit line

limit and pay Interest accrued on that balance monthly. After the draw period, you may not withdraw any more funds from the line. Your loan is then amortized and you begin to pay the principal and interest monthly.

**a) Payments during the draw period will be due monthly.** Your minimum monthly payment will consist of late charges, charges authorized by the agreement including any permissible expenses or advances incurred by Cove Federal Credit Union under the security instrument, any balance exceeding the applicable credit limit, and the accrued but unpaid FINANCE CHARGE (interest) as of the last day in the billing cycle.

**(i)** We figure a portion of the finance charge on your account by applying the periodic rate to the “daily balance” of your account for each day in the billing cycle. To get the “daily balance” we take the beginning balance of your account each day, add any new advances and fees and subtract any unpaid finance charges and any payments or credits. This gives us the daily balance.

**(ii)** Your first payment will be determined in the same manner as described above and will be due on the 20th of the month in which you receive your statement. FINANCE CHARGES will begin to accrue on the date of the first advance or authorized fee is imposed on your account and will continue until all outstanding principal balance is paid in full.

**(iii)** Paying only the minimum monthly payment will not reduce the outstanding principal balance on your Home Equity Line of Credit.

**b) Payments during the repayment period will be due monthly.** After the draw period ends, you will no longer be able to obtain credit advances and must pay the outstanding balance, with accrued interest, on your account. This is called the “repayment period”. The length of the repayment period is ten (10) years. During the repayment period, payments will vary based on the outstanding balance and the variable ANNUAL PERCENTAGE RATE (see the “Variable Rate Information” described below) applicable during the billing cycle.

**(i)** Your minimum monthly payment will be an amount that will be sufficient to repay the unpaid and outstanding balance in full over the applicable repayment period at the then-current interest rate in substantially equal periodic installments.

**(ii)** Each time the ANNUAL PERCENTAGE RATE changes, we will reset your monthly payment by calculating a monthly payment amount that would be sufficient to repay the unpaid principal in full over the remaining term of the repayment period, at the new interest rate in substantially equal periodic installments. If, on your scheduled maturity date, you still owe any amounts under the plan, you will be required to pay any and all sums due in one lump sum on that date.

**(iii)** Your minimum payment during the repayment period will also include late charges and any other charges authorized by our agreement.

**(iv)** However, the minimum monthly payment during this repayment period will never be less than \$100.00. Balances of less than \$100.00 must be paid in full.

**(v)** Payments do not include taxes or insurance.

**8. MINIMUM PAYMENT EXAMPLE:** If you made only the minimum monthly payment and took no other credit advances, it would take you twenty (20) years to pay off a \$10,000.00 outstanding balance at an ANNUAL PERCENTAGE RATE of 5.50% (a rate we have used recently but may not be your interest rate). During that time you would make 120 payments of \$46.71 followed by 119 payments of \$108.53, with a final payment of \$107.86.

You should ask us what current rates are available.

**9. TRANSACTION REQUIREMENTS:** Any single credit advance to you will not be less than \$500.00. You may request advances up to eight (8) times per year.

**10. TAX DEDUCTIBILITY:** You should consult a tax advisor regarding the deductibility of interest and charges for the plan.

**11. AVAILABILITY OF OTHER HOME EQUITY PLANS:** If you ask, we will provide you with information on our other available home equity loan plans.

**12. VARIABLE RATE FEATURE:** This plan has a variable rate feature and the ANNUAL PERCENTAGE RATE (corresponding to a periodic rate) and the minimum monthly payment may change over the life of the plan as a result. Your actual minimum payment may increase or decrease as the rate increases or decreases.

**a) The variable rate feature applies to both the draw period and to the repayment period of your plan.**

**b) The ANNUAL PERCENTAGE RATE** includes only interest and no other costs.

**c) The ANNUAL PERCENTAGE RATE** is based on the value of an "index". The index is based on the highest Prime Rate published in the "Money Rates" table of The Wall Street Journal.

**d) To determine the ANNUAL PERCENTAGE RATE** that will apply to your account, we may add a margin to the value of the Prime Rate published at least 15 days prior to the opening of the credit line and 15 days prior to the first day of any new billing cycle to which it will be applied.

(i) The most important factors that we (currently) consider in setting a margin (if any) include:

- The amount of the credit limit as it compares to the value of the collateral less any other outstanding mortgage. This is called a total loan to value ratio. the higher the ratio, the higher the margin, and
- The credit rating of the member(s)/borrower(s); the better the credit rating, the lower the margin.

**13. INTRODUCTORY RATES:** On some occasions we may offer "introductory" rates to qualifying member/borrowers. Such an introductory rate may be below the rate that would otherwise apply to that loan. This introductory rate is (frequently) fixed for 1 to 12 months. We have chosen not to reflect such an introductory rate in the rate and payment examples. Such a feature would reduce the ANNUAL PERCENTAGE RATE during the introductory period, and, depending on the balance of the loan, would probably lower the minimum monthly payment for that specified time frame. After the introductory period, the formula for the index and margins would go into effect.

**14. FREQUENCY OF ANNUAL PERCENTAGE RATE ADJUSTMENTS:** The ANNUAL PERCENTAGE RATE can change monthly on the first day of the billing period. Your minimum ANNUAL PERCENTAGE RATE will never be lower than 3.00% (after any applicable introductory rate has expired) and your maximum ANNUAL PERCENTAGE RATE will never be more than 15.00%. Except for these "caps", there is no limit on the amounts by which the ANNUAL PERCENTAGE RATE may increase or decrease at any time over the life of your Home Equity Line of Credit.

**15. MAXIMUM RATE AND PAYMENT EXAMPLES:** If the ANNUAL PERCENTAGE RATE during the draw period equaled the 15.00% maximum and you had an outstanding balance of \$10000.00, the minimum monthly payment during the draw period would be \$127.40. If you had an outstanding balance of \$10,000 at the time your Home Equity Line of Credit enters the repayment period, the minimum monthly payment at the maximum ANNUAL PERCENTAGE RATE of 15%, would be \$161.38. The maximum ANNUAL PERCENTAGE RATE could be reached the first month after the initial interest rate (or any introductory rate) is no longer in effect.

**16. HISTORICAL EXAMPLE:** The following table shows how the ANNUAL PERCENTAGE RATE and the minimum payments for a single \$10,000.00 credit advance would have changed based on the movement in the Index over the last 15 years. The Index values are from the last business day of January each year. Different outstanding principal balances could result in different payment mounts. 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 would change in the future.

While only one payment per year is shown, payments may have varied during each year.

Year	Index (%)	Margin* (%)	ANNUAL PERCENTAGE RATE (%)	Interest Only Draw Period Payment (%)	Principal and Interest Repayment Period Payment (%)
2005	5.250	0.000	5.250	\$44.59	NA
2006	7.500	0.000	7.500	\$63.70	NA
2007	8.250	0.000	8.250	\$70.07	NA
2008	6.000	0.000	6.000	\$50.96	NA
2009	3.250	0.000	3.250	\$27.60	NA
2010	3.250	0.000	3.250	\$27.60	NA
2011	3.250	0.000	3.250	\$27.60	NA
2012	3.250	0.000	3.250	\$27.60	NA
2013	3.250	0.000	3.250	\$27.60	NA
2014	3.250	0.000	3.250	\$27.60	NA
2015 (0)	3.250	0.000	3.250	NA	\$97.75
2016	3.500	0.000	3.500	NA	\$98.81
2017	3.750	0.000	3.750	NA	\$99.77
2018	4.500	0.000	4.500	NA	\$114.87
2019	5.500	0.000	5.500	NA	\$118.24

\*This is a margin we have used recently; your margin may be different.

(0)The repayment period begins in this year.

Detailed rate information for your Home Equity Line of Credit will be provided on or with each periodic statement.

### ACKNOWLEDGEMENT

By signing below, you acknowledge receipt of this Home Equity Line of Credit Disclosure, as well as a receipt of a copy of the Home Equity Brochure.

\_\_\_\_\_/\_\_\_\_\_  
Borrower - Date

\_\_\_\_\_/\_\_\_\_\_  
Borrower - Date