

## HOME EQUITY LINE OF CREDIT DISCLOSURE

For the purposes of this disclosure, the terms "we," "us" and "our" refer to American First Credit Union (the Lender). The terms "you" and "your" refer to the Borrower(s) receiving this disclosure.

This disclosure contains important information about our Home Equity Line of Credit (HELOC). You should carefully read this disclosure and maintain a copy in 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 not to enter into an agreement with us, you are entitled to a refund of any fees that you paid to us or to anyone else in connection with your application.

### SECURITY INTEREST

The Lender will take a security interest in your home, so you could lose your home if you do not meet the obligations described in your Credit Line with us.

### POSSIBLE ACTIONS

Under each Credit Line, the Lender may:

1. We may terminate your line of credit and require you to pay the entire outstanding balance in one payment, and we may charge certain other fees, if any of the following occur:
  - a. You commit fraud or make a material misrepresentation at any time in connection with your Credit Line. For example, this may include a false statement about your income, assets, liabilities or any other aspect of your financial condition.
  - b. You do not meet the repayment terms of the Credit Line.
  - c. Your action or inaction adversely affects the collateral or our rights in the collateral. For example, if you fail to maintain the required insurance, commit waste or destructively use the dwelling, fail to pay taxes, death of all liable persons 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 or the dwelling for prohibited purposes.
  
2. We can refuse to make additional extensions of credit if any of the following occur:
  - a. The value of the secured dwelling declines significantly below the appraised value used for purposes of the Credit Line;
  - b. We have valid reasons to believe that you will be unable to fulfill the repayment terms under the Credit Line due to a material change in your financial circumstances;
  - c. You are in default of a material obligation of the agreement;
  - d. We are precluded by government action from imposing the Annual Percentage Rate (APR) provided for in the agreement, or government action impairs our security interest to the extent that the value of the security interest is less than 120 percent of the credit limit;
  - e. We have been notified by governmental authority that continued advances may constitute an unsafe and unsound business practice; or
  - f. The maximum APR under the Credit Line is reached.

The initial agreement allows us to make certain changes to the terms of the Credit Line at specified times or when and if specific events occur.

## MINIMUM PAYMENT REQUIREMENTS

You may obtain credit advances for 180 months (the "draw period"), during which time you will make monthly payments. Your minimum payment due will be the greater of the following:

- \$100.00; or
- An amortized payment of the account balance of the loan based upon the last day of the billing cycle at the variable ANNUAL PERCENTAGE RATE provided for in this Agreement over the remaining term of the account (i.e., to the Maturity Date).

The minimum payment amount will be rounded to the nearest \$.01. The minimum monthly payments during the draw period may not reduce the principal that is outstanding on your credit line.

After the draw period ends, you will no longer be able to obtain credit advances and must pay the outstanding balance on your line of credit (the "repayment period"). The length of the repayment period is 180 months. During the repayment period, payments will be due monthly. Your minimum monthly payment will equal the greater of the following:

- \$100.00; or
- An amortized payment of the account balance of the loan based on the last day of the billing cycle at the variable ANNUAL PERCENTAGE RATE provided for in this Agreement over the remaining term of the Account (i.e., to the Maturity Date).

The minimum payment shall be rounded to the nearest \$.01. During the draw period, the minimum monthly payments may be insufficient to repay the outstanding principal owed on your Credit Line by the end of the repayment period. If the payments are not sufficient to repay the principal, to the extent permitted by law, you will be required to make a balloon payment for the remainder due at the end of the repayment term. If the balance due is less than \$100.00, it must be paid in full.

## MINIMUM PAYMENT EXAMPLE

If you made only the minimum monthly payment and took no other credit advances, it would take 12 years and 11 months to pay off a credit advance of \$10,000.00 at an ANNUAL PERCENTAGE RATE of 6.250%. During that period, you would make 155 payments of \$100.00.

## FEES AND CHARGES

In order to open a Credit Line, you must pay the Lender an annual account maintenance fee of \$75.00.

Some fees are conditional upon certain events occurring and are provided herein for informational purposes.

Additionally, you must pay certain fees to third parties, including, but not limited to, appraisers, credit reporting agencies, and government agencies. The total of these third-party fees is usually \$1000.00. Upon request, we will provide you with an itemized list of the fees you will be required to pay to third parties.

You are required to maintain insurance on the property that secures the Credit Line.

## REFUNDABILITY OF FEES

Within three days of receiving this disclosure and the Home Equity Booklet, you may decide not to enter into this Credit Line. If you choose not to enter into this Credit Line within that timeframe, you are entitled to a complete refund of any fee you have already paid.

## MINIMUM DRAW REQUIREMENTS

The initial credit advance must be at least \$25,000.00.

## **NEGATIVE AMORTIZATION**

In some situations, your monthly payment will not be sufficient to cover the accrued finance charges, and your account will have "negative amortization." Negative amortization will result in an increase in the total amount you owe to us, and it will reduce the equity in your home.

## **TAX DEDUCTIBILITY**

You should consult a tax advisor regarding the deductibility of interest and charges for this Credit Line.

## **VARIABLE RATE FEATURES**

This Credit Line has a variable rate feature and the APR (corresponding to the periodic rate) and the minimum monthly payment can change as a result. The APR includes only interest and no other costs. The APR is based on the value of an index. The index is *The Wall Street Journal* Prime Rate as published in *The Wall Street Journal*. To determine the APR that will apply to your account, the Lender adds a margin to the value of the index and then rounds to the nearest 0.25 percent. The initial APR used by the Lender has a premium feature: it is not based on the index and margin used to make later rate adjustments. Upon request, we will provide you with the current index value, margin, premium and APR. Once you open your Credit Line, we will provide rate information on the periodic statements we send to you.

## **RATE CHANGES**

The APR on your Credit Line can change quarterly. There is no limit to the amount your rate can change in any twelve-month period. The maximum **APR** that can apply during the term of your Credit Line is 18.000 percent. The annual percentage rate will never be less than the initial rate. Your Credit Line has a "preferred rate" provision, which is conditional upon your automatic debit agreement with us. If you terminate the automatic debit agreement, then your new **APR** will be calculated by adding 0.250 percentage points to the margin value usually used to calculate your **APR**. Your new **APR** may be impacted by rate caps.

## **MAXIMUM RATE AND PAYMENT EXAMPLES**

If you had an outstanding Credit Line balance of \$10,000.00 at the beginning of your draw period, the minimum monthly payment at the maximum **APR** of 18.000 percent would be \$156.55. The maximum **APR** during the draw period may be reached in the first month.

If you had an outstanding balance of \$10,000.00 at the beginning of the repayment period, the minimum monthly payment at the maximum **APR** of 18.000 percent would be \$161.04. The maximum **APR** during the repayment period could be reached in the first month.

## **HISTORICAL EXAMPLES**

The following table shows how the **APR** and the minimum payments for a single \$10,000.00 credit advance would have changed based on the changes in the index over the last 15 years. The index values are from the first business day of January. While only one payment amount per year is shown, payments would have varied during each year. The table assumes that no additional credit advances were taken, that only the minimum payment was 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.

**HISTORICAL EXAMPLE ASSUMING A \$10,000 BALANCE**

<b>Year</b>	<b>Index (%)</b>	<b>Margin* (%)</b>	<b>Annual Percentage Rate (%)</b>	<b>Minimum Monthly Payment (\$)</b>
2004	4.000	1.500	5.500	100.00
2005	6.000	1.500	7.500	100.00
2006	8.000	1.500	9.500	100.00
2007	8.250	1.500	9.750	100.00
2008	5.000	1.500	6.500	100.00
2009	3.250	1.500	4.750	100.00
2010	3.250	1.500	4.750	100.00
2011	3.250	1.500	4.750	100.00
2012	3.250	1.500	4.750	100.00
2013	3.250	1.500	4.750	100.00
2014	3.250	1.500	4.750	100.00
2015	3.250	1.500	4.750	100.00
2016	3.500	1.500	5.000	100.00
2017	4.500	1.500	6.000	100.00
2018	5.500	1.500	7.000	100.00
2019	4.750	1.500	6.250	100.00

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

**This is not a commitment to make a loan. By signing below, you acknowledge that you have received this Home Equity Line of Credit Disclosure and the Home Equity Brochure on today's date.**

\_\_\_\_\_  
Borrower Date

Loan Originator:  
Loan Originator Organization: AMERICAN FIRST CREDIT UNION, NMLSR ID 454697