

**Valley First Credit Union  
Home Equity Line of Credit (HELOC)  
Early Federal Disclosure Information**

**Important Information. Please Read Carefully. This disclosure contains important information about our Home Equity Line of Credit Plan.**

**Retention of Information:** This disclosure contains important information about our HELOC product secured by your home. You should read it carefully and keep a copy for your records.

**Credit Union Membership:** Offered to Valley First Credit Union members only. Membership requires a \$25.00 initial deposit and one-time membership fee of \$1.00.

**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 a HELOC agreement with us, you are entitled to a refund of any fees that you have paid to us or anyone else in connection with your application.

**Security Interest:** We will take a security interest (deed of trust, mortgage or deed to secure debt) in your home. You could lose your home if you do not meet the obligations in your Note with us.

**Property Insurance:** You must carry property insurance on the property that secures this HELOC. Flood insurance may be required.

**Possible Actions:**

**Termination and Default:** We can terminate your HELOC, declare your agreement in default and require you to pay us the entire outstanding balance in one payment if:

- You engage in fraud or material misrepresentation in connection with the HELOC;
- You fail to meet the repayment terms under the HELOC; or
- Your action or inaction adversely affects the credit union's security for the HELOC or the credit union's right in such security.

**Suspension and Cancellation:** We can refuse to make additional extensions of credit or reduce your HELOC limit and change the payment terms if:

- The value of the dwelling securing the HELOC declines significantly below the appraised value as relied upon by the credit union at the opening of your HELOC;
- We reasonably believe you will be not be able to fulfill your repayment obligations under your agreement because of a material change in your financial circumstances;
- You are in default of a material obligation set forth in your agreement or the mortgage or other security instrument securing your HELOC or any extension or modification thereof;
- Governmental action prohibits imposition of the **ANNUAL PERCENTAGE RATE** provided for or impairs the credit union's security interest such that the value of the security interest is less than 120% of the credit limit;
- A regulatory agency provides notice to the credit union that future advances would constitute an unsafe and unsound banking practice.
- The maximum **ANNUAL PERCENTAGE RATE** allowed under your agreement is reached; or
- Any condition exists or occurs which would allow the credit union to terminate your agreement and declare your agreement in default.

**Change in Terms:** We may change the terms of the line if (a) you specifically agree to the change in writing at that time; (b) the change will unequivocally benefit you throughout the remainder of the plan; or (c) the change is insignificant.

**Draw Period and Repayment Terms:** You will be permitted to take advances upon your HELOC with us, up to your available credit limit, for a period ending on the tenth (10<sup>th</sup>) anniversary of the date of our Note. This is known as the "Draw Period". Thereafter, you will no longer be permitted to take advances but you will be required to pay off the Unpaid Balance of your HELOC plus any interest and other applicable fees and charges. This is known as the "Repayment Period". The length of the Repayment Period will depend on the

New Balance at the end of the Draw Period and the Applicable **ANNUAL PERCENTAGE RATES**(s) and will be approximately 15 years.

You must pay us a Monthly Payment each billing cycle during both the Draw and Repayment Periods of a Minimum \$25 Payment or a Minimum Payment calculated over a 15 year term at the **CURRENT** interest rate of the unpaid Principal Balance of your account each statement Closing Date, plus any fees and late charges, whichever is greater. Also, if there are any Fees, Late Charges or Past Due amounts, the Fees, Late Charges and Past Due amounts must be paid in addition to your Minimum Monthly Payment. If any amount exceeds your credit limit, the amount in excess of your Credit Limit must be paid in addition to your Minimum Monthly Payment. Your Minimum Monthly Payment will be applied in the following order: (a) fees and late charges, if any, (b) **FINANCE CHARGES** and (c) the Unpaid Principal Balance.

**Fees and Charges:** The \$75 Annual Fee will be charged to the account on each anniversary date. This fee can be waived if the average annual balance on the credit line is \$25,000 or more.

**Origination Fee:** A \$500 Origination Fee is deferred until the third anniversary date after the account is opened; and is waived if the account remains open after that date.

**Third Party Fees:** A Title Fee may apply when an Existing Lien is paid. There may be other charges, such as a Drive-By or Full Appraisal Fee, Tax Service Fee, Grant Deed, Recording Fees or a Full Title Report Fee. If you ask, we will give you an itemization of these fees. If the borrower must pay these fees, they may be included in the loan. These fees generally total between \$0.00 and \$500.00.

**Negative Amortization:** Under some circumstances, your payments may not cover the **FINANCE CHARGES** that are payable (generally if you do not pay at least your Minimum Monthly Payments on a timely basis or take advances between payment due date or **ANNUAL PERCENTAGE RATE** adjustment dates), such that Negative Amortization will occur. If this occurs, it will increase your unpaid **FINANCE CHARGES** and reduce your equity in your home.

**Minimum Draw Requirements:** No initial draw is required. Checks drawn against your Line of Credit require a \$100.00 minimum amount. You may not obtain a draw after the termination of the Draw Period.

**Tax Deductibility:** Interest (**FINANCE CHARGES**) and other charges on your HELOC may be tax deductible. You should consult a professional tax advisor regarding the deductibility of the interest (**FINANCE CHARGES**) and other charges under the HELOC.

**Variable Rate Features:** This HELOC contains provisions for a variable **ANNUAL PERCENTAGE RATE** (interest). The **ANNUAL PERCENTAGE RATE** and the amount and/or number of Minimum Monthly Payments may change as a result. The **ANNUAL PERCENTAGE RATE** includes only interest and not other costs.

**How We Determine Changes in Your variable ANNUAL PERCENTAGE RATE:** Your variable **ANNUAL PERCENTAGE RATE** may increase or decrease monthly during the term of the Note based on changes in the "Prime Rate", as correctly published in the Western Edition of the Wall Street Journal ("Index"). 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 same day as any annual percentage rate change.

In the event the Federal Reserve Bank ceases publishing the Index, changes in the **ANNUAL PERCENTAGE RATE** will be related to a comparable Index in accordance with the Change of Terms provisions set forth in the Note.

Ask us for our current Index values, margin and **ANNUAL PERCENTAGE RATE**. After you open the HELOC, the **ANNUAL PERCENTAGE RATE** information will be provided on periodic statements that we send to you.

**Rate Changes:** Your **ANNUAL PERCENTAGE RATE** is subject to change on the day following your statement Closing Date each month. These dates shall be known as "Adjustment Dates." The rate can change on the first day of each month. The maximum **ANNUAL PERCENTAGE RATE** that can apply is 5% above the initial start rate or the maximum permitted by law, whichever is less. However, under no circumstances will your **ANNUAL PERCENTAGE RATE** go below 4.40% at any time during the term of the plan.

**Margin:** The margin you receive is based on the amount of equity available in your property and subject to credit score.

**Maximum Rate and Payment Examples:** Increases or decreases to the **ANNUAL PERCENTAGE RATE** applied to your line of credit, will change your Minimum Monthly Payment. Your Minimum Monthly Payment is based on the current interest rate based on the unpaid Principal Balance for a term of 15 years. If you had an outstanding balance of \$10,000.00 your payment would be \$75.99. If you had an outstanding balance of \$15,000.00 your payment would be \$113.98.

Increases or decreases to the **ANNUAL PERCENTAGE RATE** will change how much of your payment is applied to Principal and how much is applied to the **FINANCE CHARGE** (Interest):

<b>Outstanding Balance</b>	<b>APR</b>	<b>Payment</b>	<b>Principal</b>	<b>Interest</b>
\$10,000.00	4.40%	\$75.99	\$39.32	\$36.67
\$15,000.00	4.40%	\$113.98	\$58.98	\$55.00
\$10,000.00	9.40%	\$103.82	\$25.49	\$78.33
\$15,000.00	9.40%	\$155.73	\$38.23	\$117.50