



# UNITED STATES SENATE FEDERAL CREDIT UNION

## SmartLine – 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. 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 you paid to us or anyone else in connection with your application.

**SECURITY INTEREST:** We will take a security interest on 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:

- You engage in fraud or material misrepresentation in connection with the line.
- 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 the dwelling securing the line declines significantly below its appraised value for purposes of the 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 and unsound practice.
- The maximum annual percentage rate is reached.

**MINIMUM PAYMENT REQUIREMENTS:** You can obtain credit advances for 120 months (the draw period). During the draw period, payments will be due on a monthly basis. Your minimum monthly payment will be established at an amount equal to 1.50% of your unpaid account balance at the end of the billing cycle, subject to a minimum of \$75.

After the draw period ends, you will no longer be able to obtain credit advances and you must repay the outstanding account balance (the repayment period). The length of the repayment period will depend on your outstanding account balance at the beginning of the repayment period but in no event exceed 120 months. During the repayment period, minimum payments will be due monthly. The minimum monthly payment will be established at the beginning of the repayment period or change in interest rate in an amount necessary to fully amortize your outstanding balance over 120 months from end of the draw period.

**MINIMUM PAYMENT EXAMPLE:** If you made only the minimum monthly payment and took no other credit advances it would take 129 months to pay off a credit advance of \$10,000 at an **ANNUAL PERCENTAGE RATE** of 3.00%. During that period, you would make 128 monthly payments varying between \$75.00 and \$150.00 with a final payment of \$23.02.

**FEES AND CHARGES:** To open or maintain a home equity line of credit, you must pay certain fees to third parties. These fees generally range from \$500.00 to \$1,300.00. If you ask, we will give you an itemization of the fees you will have to pay to third parties.

**LATE PAYMENT FEE:** If your payment is more than 10 days late, you will be charged 5.00% of the payment due.

**PROPERTY INSURANCE:** You must carry insurance on the property that secures this plan.

**MINIMUM LINE OF CREDIT:** The minimum Home Equity Line of Credit is \$5,000.00.

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

**VARIABLE RATE:** Your Plan is subject to a Variable Rate and the annual percentage rate (corresponding to the periodic rate) can change as a result. The annual percentage rate is based on the highest Prime Rate as published in the Money Rates Section of *The Wall Street Journal* and will be the rate in effect on the first business day of each calendar quarter ("Index"). If the index becomes unavailable, we will choose another Index with a similar Interest Rate. To determine the Annual Percentage Rate that will apply to your line of credit, we add our margin to the value of the index. Increases and decreases in the Interest Rate will result in like increases or decreases in Finance Charge and may affect the amount of your scheduled payments during the draw and repayment periods. The Annual Percentage Rate includes only interest and no other costs. Ask us for the current index value, margin, and Annual Percentage Rate. After you open a credit line, rate information will be provided in periodic statements that we send you.

**RATE CHANGES:** The annual percentage rate can change on the first day of each calendar quarter of each year. There is no limit on the amount by which the annual percentage rate can change during any one-year period other than the maximum and minimum Annual Percentage Rates that can apply at any time to this Plan. The maximum **ANNUAL PERCENTAGE RATE** that can apply is 18.00%. The minimum **ANNUAL PERCENTAGE RATE** that can apply is 3.00%.

## MAXIMUM RATE AND PAYMENT EXAMPLES

If you had an outstanding balance of \$10,000 during the draw period, the minimum payment at the maximum **ANNUAL PERCENTAGE RATE** of 18.00% would be \$150.00. This Annual Percentage Rate could be reached in the first month of the draw period.

If you had an outstanding balance of \$10,000 during the repayment period, the minimum payment at the maximum **ANNUAL PERCENTAGE RATE** of 18.00% would be \$182.61. This Annual Percentage Rate could be reached in the first month of the repayment period.

**HISTORICAL EXAMPLE:** The following table shows how the Annual Percentage Rate and the monthly payments for a single \$10,000 credit advance would have changed based on changes in the index. The index is from *The Wall Street Journal* and is calculated on the first business day of January of each year. While only one payment amount per year is shown, payments may have varied during the 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 the year. It does not necessarily indicate how the index or your payments will change in the future.

Year	Index (Percent)	Margin (1) (Percent)	<b>ANNUAL PERCENTAGE RATE</b>	Payment Period	Monthly Payment (Dollars)
2002	4.75	0.00	4.75	DRAW	150.00
2003	4.25	0.00	4.25	DRAW	131.29
2004	4.00	0.00	4.00	DRAW	114.33
2005	5.25	0.00	5.25	DRAW	99.31
2006	7.25	0.00	7.25	DRAW	87.37
2007	8.25	0.00	8.25	DRAW	78.42
2008	7.25	0.00	7.25	DRAW	75.00(3)
2009	3.25	0.00	4.00 (2)	DRAW	75.00(3)
2010	3.25	0.00	4.00 (2)	REPAYMENT	75.00(3)
2011	3.25	0.00	4.00 (2)	REPAYMENT	75.00(3)
2012	3.25	0.00	4.00 (2)	REPAYMENT	75.00(3)
2013	3.25	0.00	4.00 (2)	REPAYMENT	75.00(3)
2014	3.25	0.00	3.25	REPAYMENT	75.00(3)
2015	3.25	0.00	3.25	REPAYMENT	75.00(3)
2016	3.50	0.00	3.50	REPAYMENT	75.00(3)

(1) This represents a margin we have recently used.

(2) This represents the minimum Annual Percentage Rate of 4.00% at the time.

(3) This represents the \$75.00 Minimum Payment.