

Home Equity Line of Credit Early Disclosures

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These Home Equity Line of Credit Early Disclosures ("Disclosures") contain important information about your Home Equity Line of Credit ("Line of Credit") with Lighthouse Community Credit Union. In these Disclosures the terms "you" and "your" mean each person who is a borrower on the Line of Credit. The terms "Credit Union" and "we" mean Lighthouse Community Credit Union. You should read these Disclosures carefully and keep a copy for your records.

- 1. Availability of Terms.** All of the terms described below are subject to change. If any of these terms change (other than the **ANNUAL PERCENTAGE RATE**) and you decide, as a result, to not enter into an agreement with us, you are entitled to a refund of any fees that you paid in connection with your application.
- 2. Security Interest.** We will take a deed of trust on your home. You could lose your home if you do not meet the obligations in your agreement with us.
- 3. Possible Actions.** We may take the following actions with respect to your Line of Credit under the circumstances listed below:
 - a. Termination and Acceleration.** We may terminate your Line of Credit and require you to pay us the entire outstanding balance immediately, and charge you certain fees if any of the following happen:
 - i. You engage in any fraud or material misrepresentation in connection with your Line of Credit. For example, if there are false statements or omissions on your application or financial statements.
 - ii. You do not meet the repayment terms of the Line of Credit.
 - iii. Your action or inaction adversely affects the collateral or our rights in the collateral. For example, if you fail to: maintain insurance, pay taxes, transfer title to or sell the collateral, prevent the foreclosure of any items, or waste of the collateral.
 - b. Suspension of Credit/Reduction of Credit Limit.** We may refuse to make additional advances on your line or reduce your credit limit during any period in which the following exist or occur:
 - i. Any of the circumstances listed in a. above.
 - ii. The value of your dwelling securing the Line of Credit declines significantly below its appraised value for purposes of the Line of Credit.
 - iii. We reasonably believe that you will not be able to meet the repayment requirements of the Line of Credit due to a material change in your financial circumstances.
 - iv. You are in default under any material obligation of your Line of Credit.

All of your obligations under the Line of Credit (Agreement and Deed of Trust) are material to maintaining this Line of Credit. The categories of your obligations are set forth in the following paragraphs of these Agreements:

Home Equity Line of Credit Agreement. Accessing Your Line of Credit; Payment Terms; Other Fees and Closing Costs; Security Requirements; and Possible Credit Union Actions.

Line of Credit Trust Deed. Payment and Performance; Possession and Maintenance of the Property; Indemnity; Due on Sale; Taxes and Liens; Property Damage Insurance; Warranty/Defense of Title; Condemnation; Imposition of Taxes; Security Agreement; Further Assurances/Attorney in Fact; Possible Actions of Lender; Attorney Fees; and Miscellaneous Provisions.
 - v. The maximum **ANNUAL PERCENTAGE RATE** under your Line of Credit is reached.
 - vi. Any 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% of the credit line.
 - vii. We have been notified by government agency that continued advances would constitute an unsafe and unsound practice.

- c. **Change in Terms.** The Agreement permits us to make certain changes to the terms of the Line of Credit at specified times or upon the occurrence of specified events.

4. Draw & Repayment Requirements.

- a. **Draw Period Payment Requirements.** You can obtain credit advances for five (5) years ("Draw Period"). During the Draw Period, payments will be due monthly. Your Regular Payment will equal 1.0% of the outstanding balance after your most recent advance, or \$100, whichever is greater.
- b. **Repayment Period Payment Requirements.** After the draw period ends, you will no longer be able to obtain credit advances and must repay the outstanding balance ("Repayment Period"). You will be required to make monthly payments during the repayment period. The length of the Repayment Period will depend on the balance at the beginning of the repayment period. If your balance is \$10,000.00 or less, the repayment period will be 5 years. If your balance is greater than \$10,000.00, the repayment period will be 10 years. Your Regular Payment will equal the amount necessary to amortize the outstanding balance at the beginning of the repayment period with interest over the life of the repayment period, or \$100, whichever is greater.

- 5. Minimum Payment Example.** If you took a single \$10,000 advance at an **ANNUAL PERCENTAGE RATE** of 5.00% (the most recent index plus margin shown in the historical table) and made only the minimum monthly payments, it would take 120 months to pay off your Line of Credit. During that period you would make 60 monthly payments of \$100.00, and 60 payments of \$113.85.

- 6. Fees and Charges.** In order to open and maintain the line, you must pay certain fees and charges.

Third Party Fees. You may have to pay certain fees to third parties to open the plan. These fees generally total between \$545 and \$1445. If you ask we will provide you with an itemization of the fees you may have to pay to third parties.

- 7. Tax Deductibility.** You should consult a tax advisor regarding the deductibility of interest and charges under the plan.

- 8. Right to Receive Copy of Appraisal.** We may order an appraisal to determine the property's value and charge you for this appraisal. We will promptly give you a copy of any appraisal, even if your loan does not close. You can pay for an additional appraisal for your own use at your own cost.

- 9. Other Products.** If you ask, we will provide you with information on our other available home equity lines of credit.

- 10. Annual Percentage Rate and Periodic Rate.** The **ANNUAL PERCENTAGE RATE** is divided by 365 to obtain the Periodic Rate.

- a. **Variable Rate Features.** The **ANNUAL PERCENTAGE RATE** may change based on the value of an index. The index is the average discount rate on 26 week U.S. Treasury Bills. To obtain the **ANNUAL PERCENTAGE RATE**, we round the index rate to the nearest 0.25%, then add a margin (based upon your credit worthiness and other factors) and subtract any preferred rate reductions in effect. We divide that amount by the number of days in a year to obtain the daily Periodic Rate. We will use the index value from the most recent auction results available to us as of 30 days before the date of any annual percentage rate adjustment. The margin and the initial **ANNUAL PERCENTAGE RATE** for your Line of Credit will be disclosed on the Advance Disclosures when your Line of Credit is opened. The **ANNUAL PERCENTAGE RATE** includes only interest and not other costs. Ask us for the current value, margin and **ANNUAL PERCENTAGE RATE**. After you open a Line of Credit, rate information will be provided on periodic statements that we will send you.

- b. **Rate Adjustments.** The **ANNUAL PERCENTAGE RATE** may change on the first day of each month. There **ANNUAL PERCENTAGE RATE** will not increase or decrease by more than 1.0% at any adjustment. The maximum **ANNUAL PERCENTAGE RATE** that can apply is 5.00 percentage points above your initial rate. The minimum **ANNUAL PERCENTAGE RATE** that can apply is 2.00 percentage points below your initial rate. An increase or decrease in the **ANNUAL PERCENTAGE RATE** will affect the amount of your monthly payments.

- 11. Maximum Rate and Payment Examples.** If you had an outstanding balance of \$10,000 at the beginning of the Draw Period, the minimum monthly payment at the maximum **ANNUAL PERCENTAGE RATE** of 10.00% (based on the most recent index plus margin from the historical table below) would be \$100.00. This rate could be reached in the fifth month of the account. If you had an outstanding balance of \$10,000 at the beginning of the

Repayment Period, the minimum monthly payment at the maximum **ANNUAL PERCENTAGE RATE** of 10.00% (based on the most recent index plus margin from the historical table below) would be \$212.47. This rate could be reached in the fifth month of the account.

12. Historical Example. The following table shows how the **ANNUAL PERCENTAGE RATE** and the minimum monthly payments for a single \$10,000 credit advance on a home equity line of credit would have changed based on changes in the index over the last 15 years. The index values for each year are from the second day of July of each year. While only one payment amount per year is shown, payments may have varied during each year. The table assumes that no additional credit advances were taken, that only the minimum payment was made each month, 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.

| <u>Year</u> | <u>Index (%)</u> | <u>Margin*</u> (%) | <u>ANNUAL PERCENTAGE RATE (%)</u> | | <u>Minimum Monthly Payment (\$)</u> |
|-------------|------------------|--------------------|-----------------------------------|-----------|-------------------------------------|
| 2004 | 1.715 | 3.00 | 4.750 | | 100.00 |
| 2005 | 3.210 | 3.00 | 5.750** | | 100.00 |
| 2006 | 5.090 | 3.00 | 6.750** | | 100.00 |
| 2007 | 4.759 | 3.00 | 7.750 | DRAW | 100.00 |
| 2008 | 2.100 | 3.00 | 6.750** | PERIOD | 100.00 |
| 2009 | 0.330 | 3.00 | 5.750** | REPAYMENT | 126.80 |
| 2010 | 0.190 | 3.00 | 4.750** | PERIOD | 124.34 |
| 2011 | 0.080 | 3.00 | 3.750** | | 122.48 |
| 2012 | 0.140 | 3.00 | 3.250 | | 121.85 |
| 2013 | 0.080 | 3.00 | 3.000 | | 121.69 |
| 2014 | 0.450 | 3.00 | 3.500 | | -- |
| 2015 | 0.900 | 3.00 | 4.000 | | -- |
| 2016 | 0.320 | 3.00 | 3.250 | | -- |
| 2017 | 1.085 | 3.00 | 4.000 | | -- |
| 2018 | 2.060 | 3.00 | 5.000 | | -- |

* This is a margin we have used recently.

** This rate reflects the 1% limitation on each adjustment.