



489 Boston Turnpike  
Shrewsbury, MA 01545  
(508) 845-6755  
Fax: (508) 842-3835  
www.shrewsburycu.com

## 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 Plan. 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 that you pay to us or anyone else in connection with your application.

**SECURITY INTEREST:** We will take a security interest in 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 (1) you engage in fraud or material misrepresentation in connection with the plan; (2) you do not meet the repayment terms of this plan, or (3) 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 (1) any reasons mentioned above exist; (2) the value of the dwelling securing the line declines significantly below its appraised value for purposes of the line; (3) we reasonably believe that you will not be able to meet the repayment requirements due to a material change in your financial circumstances; (4) you are in default of a material obligation of the agreement; (5) government action prevents us from imposing the annual percentage rate provided for in the agreement; (6) 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 line; (7) a regulatory agency has notified us that continued advances would constitute an unsafe and unsound business practice, or (8) the maximum annual percentage rate is reached.

**MINIMUM PAYMENT REQUIREMENTS:** You can obtain credit advances for 10 years. This period is called the "draw period." During the draw period your payments will be due monthly and will equal the finance charges (interest) that accrued on the outstanding balance during the preceding month. However your payment will never be less than \$50.00

After the draw period ends the repayment period will begin. The length of the repayment period is 15 years. At the beginning of the repayment period we will calculate your payment by amortizing the outstanding balance over a payoff period of 180 months at the current annual percentage rate. Your payment will change if the annual percentage rate increases or decreases. Each time the annual percentage rate changes, we will adjust your payment to repay the balance within the original payoff period. Your payment will include any amounts past due and any amount by which you have exceeded your credit limit, and all other charges. Your payment will never be less than the smaller of \$50.00, or the full amount that you owe.

**MINIMUM PAYMENT EXAMPLE:** If you made only the minimum monthly payment and took no other credit advances it would take 25 years to pay off a credit advance of \$10,000 at an **ANNUAL PERCENTAGE RATE** of 8.5%. During that period, you would make 120 payments of \$65.21 to \$72.19, followed by 179 payments of \$98.49 and one (1) final payment of \$98.05.

#### FEES AND CHARGES:

You may have to pay certain bona fide fees to third parties to open the plan. These fees generally total between \$75.00 and \$600.00. In the event these third party fees need to be covered by you, we will provide you with an itemization of the fees you will have to pay to third parties.

**FEE REIMBURSEMENT:** The credit union may pay some or all of your bona fide third party fees. However, if you close your home equity plan within 36 months of the opening date, you will have to reimburse the credit union for all bona fide third party fees paid on your behalf.

**PROPERTY INSURANCE:** You must carry insurance on the property that secures this plan. If the property is located in a Special Flood Hazard Area we will require you to obtain flood insurance if it is available.

**REFUNDABILITY OF FEES:** If you decide not to enter into this plan within three business days of receiving this disclosure and the home equity brochure, you are entitled to a refund of any fee you may have already paid.

**TRANSACTION REQUIREMENTS:** The minimum credit advance that you can receive is \$1,000.00 for the first advance and \$1,000.00 for each subsequent advance.

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

**ADDITIONAL HOME EQUITY PLANS:** Please ask us about our other available home equity line of credit plans.

**VARIABLE RATE FEATURE:** This plan has a variable rate feature and the annual percentage rate (corresponding to the periodic rate) and the minimum payment may change as a result. The annual percentage rate includes only interest and no other costs. The annual percentage rate is based on the value of an index. The index is the Prime Rate published in the Money Rates column of *The Wall Street Journal*. 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 30 days before the date of any annual percentage rate adjustment. To determine the annual percentage rate that will apply to your account, we add a margin to the value of the Index. If the rate is not already rounded we then round up to the next 0.25%. Ask us for the current index value, margin and annual percentage rate. After you open a plan, rate information will be provided on periodic statements that we send you.

**RATE CHANGES:** The annual percentage rate can change monthly on the first day of each month. There is no limit on the amount by which the annual percentage rate can change during any one year period. The

maximum **ANNUAL PERCENTAGE RATE** that can apply is 18% or the maximum permitted by law, whichever is less.

The minimum annual percentage rate that will apply to the plan will depend on the Loan to Value when the plan is established. When the Loan to Value is up to 80.00%, under no circumstances will your **ANNUAL PERCENTAGE RATE** go below 4% at any time during the term of the plan except when a Fixed **ANNUAL PERCENTAGE RATE** applies. When the Loan to Value is 80.01% to 100.00%, under no circumstances will your **ANNUAL PERCENTAGE RATE** go below 5% at any time during the term of the plan except when a Fixed **ANNUAL PERCENTAGE RATE** applies. The loan examples within this disclosure will assume a Loan to Value of less than 80% thus a minimum **ANNUAL PERCENTAGE RATE** of 4% and no Fixed **ANNUAL PERCENTAGE RATE** was provided.

**FIXED RATE OPTION:** When you open your home equity plan you may have the option of having a fixed interest rate for the initial five (5) years of your plan. This means the annual percentage rate will not change as described above but will remain the same for the initial five (5) years. If you choose this option, your annual percentage rate will convert to a variable rate on the first day of the month following your fifth year anniversary date and will follow the Index and change dates as described in the **VARIABLE RATE FEATURE** and **RATE CHANGES**

paragraphs above. A fixed **ANNUAL PERCENTAGE RATE** we have charged recently is \_\_\_\_\_%

**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% would be \$152.88. This annual percentage rate could be reached at the time of the 1<sup>st</sup> payment during 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% would be \$161.11. This annual percentage rate could be reached at the time of the 1<sup>st</sup> payment during the repayment period.

**HISTORICAL EXAMPLE:** The following table shows how the annual percentage rate and the minimum payments for a single \$10,000 credit advance would have changed based on changes in the index over the past 15 years. The index values are as of the last business day of January of each year. While only one payment 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 payments were made, and that the rate remained constant during each year. It does not necessarily indicate how the index or your payments will change in the future.

WALL STREET JOURNAL PRIME RATE INDEX TABLE

Year (as of the last business day of January)	Index (Percent)	Margin <sup>(1)</sup> (Percent)	<b>ANNUAL PERCENTAGE RATE</b>	Monthly Payment (Dollars)
2010.....	3.250	0.000	4.000 <sup>(2)</sup>	\$50.00 <sup>(3)</sup>
2011.....	3.250	0.000	4.000 <sup>(2)</sup>	\$50.00 <sup>(3)</sup>
2012.....	3.250	0.000	4.000 <sup>(2)</sup>	\$50.00 <sup>(3)</sup>
2013.....	3.250	0.000	4.000 <sup>(2)</sup>	\$50.00 <sup>(3)</sup>
2014.....	3.250	0.000	4.000 <sup>(2)</sup>	\$50.00 <sup>(3)</sup>
2015.....	3.250	0.000	4.000 <sup>(2)</sup>	\$50.00 <sup>(3)</sup>
2016.....	3.500	0.000	4.000 <sup>(2)</sup>	\$50.00 <sup>(3)</sup>
2017.....	3.750	0.000	4.000 <sup>(2)</sup>	\$50.00 <sup>(3)</sup>
2018.....	4.500	0.000	4.500	\$50.00 <sup>(3)</sup>
2019.....	5.500	0.000	5.500	\$50.00 <sup>(3)</sup>
2020.....	4.750	0.000	4.750	\$59.98
2021.....	3.250	0.000	4.000 <sup>(2)</sup>	\$57.21
2022.....	3.250	0.000	4.000 <sup>(2)</sup>	\$57.21
2023.....	7.500	0.000	7.500	\$68.95
2024.....	8.500	0.000	8.500	\$72.28

<sup>(1)</sup> This is a margin we have used recently; your margin may be different.

<sup>(2)</sup> This **ANNUAL PERCENTAGE RATE** reflects a 4.000% floor.

<sup>(3)</sup> This payment reflects the minimum payment of \$50.00.