UTAH POWER CREDIT UNION

957 East 6600 South Murray, UT 84121 (801) 708-8900

VARIABLE RATE DRAW – FIXED RATE REPAYMENT PLAN

Early Disclosure and Important Terms of Your Home Equity Secured Loan Program

RETENTION OF INFORMATION: This disclosure contains important information about your Utah Power Credit Union (UPCU) Home Equity Secured Line of Credit Loan (the "Plan"). You should read it carefully and keep a copy for your records.

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

AVAILABILITY OF TERMS: All of the terms described below are subject to change.

SECURITY INTEREST: All of the terms described below are subject to change.

POSSIBLE ACTIONS:

Termination and Acceleration: We can terminate the Plan and require you to pay us the entire outstanding balance in one payment, and charge you certain fees, if any of the following happens:

(a) You commit fraud or make a material misrepresentation at any time in conne3ction with the Plan. This can include, for example, 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 this plan.

(c) Your action or inaction adversely affects the collateral for the Plan or our rights in the collateral. This can include, for example, failure to maintain required insurance, waste or destructive use of the dwelling, failure to pay taxes, death of all persons liable 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.

Suspension or Reduction. In addition to any other rights we may have, we can suspend additional extensions of credit or reduce your credit limit during any period in which any of the following are in effect:

(a) The value of your dwelling declines significantly below the dwelling's appraised value for purposes of the Plan. This can include, for example, a decline such that the initial difference between the credit limit and the available equity is reduced by fifty percent and may include a smaller decline depending on the individual circumstances.

(b) We reasonably believe that you will be unable to fulfill your payment obligations under the Plan due to a material change in your financial circumstances.

(c) You are in default under any material obligation of the Plan. We consider all of your obligations to be material. Categories of material obligations include, but are not limited to, the events described above under Termination and Acceleration, obligations to pay fees and changes, obligation and limitations on the receipt of credit advances, obligations concerning maintenance or use of the dwelling or proceeds, obligations to pay and perform the terms of any other deed of trust, mortgage or lease of the dwelling, obligations to notify us and to provide documents or information to us (such as updated financial information), obligations to comply with applicable laws (such as zoning restrictions), and obligations of any guarantor or comaker. No default will occur until we mail or deliver a notice of default to you, so you can restore your right to credit advances.

(d) We are precluded by government action from imposing the annual percentage rate provided for under the Plan.

(e) 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 limit.

(f) We have been notified by government authority that continued advances may constitute an unsafe and unsound business practice.

(g) The maximum annual percentage rate under the Plan is reached.

Change in Terms. We may make changes to the terms of the Plan if you agree to the change in writing at that time, if the change will unequivocally benefit you throughout the remainder of the Plan, or if the change is insignificant (such as changes relation to our data processing systems).

MINIMUM CREDIT LIMIT: $5,000.

INITIAL ADVANCE AMOUNT: None required.

SUBSEQUENT ADVANCE AMOUNT: Minimum subsequent advance is $500.

INSURANCE: UPCU requires that you maintain hazard insurance on your property during the term of this line of credit. Flood insurance may be required, if in a designated flood area.

FEES AND CHARGES. In order to open and maintain an account, you must pay certain fees and charges.

Lender Fees. The following fees must be paid to us.

	Amount	When Charged
Points:	0.00	At closing
Loan Fees:	0.00	At closing
Annual Maint. Fee	0.00	At closing

Other Lender Fees: If certain activities occur on your account, the following fees will be imposed upon the occurrence of the designated events.

	Amount When Charged
Fee to Close Account:	$400.00 At time your line is closed (Line closed within 24 months).
Cancellation Fee:	$200.00
Reconveyance Fee:	$250.00 (up to)
Overlimit Charge:	$30.00 At the time your credit line balance exceeds your credit limit.
Advances Less Than Minimum:	$15.00 At the time of an advance below the required minimum amount.
Late Charges:	Payment will be late if it is not received by us within 10 days of the "Payment Due Date" shown on your periodic statement. If your payment is late we may charge you 5.0% of the payment or $15.00, whichever is greater.

Third Party Fees. You may pay certain fees to third parties such as appraisers, credit reporting firms, and government agencies. These third party fees generally total between 0 and $1750.00. We estimate the breakdown of these as follows:

	Amount
Title Closing:	$350.00
Recording:	$100.00
Title Insurance:	$850.00
Credit Report:	$0.00

Appraisal (if required/or requested) 450.00 Maximum Possible.

Schedule Fee Changes. OVERLIMIT CHARGE: $30.00 will be charged each time the line exceeds the credit limit. CHARGE FOR ADVANCES LESS THAT THE MINIMUM: $15.00 will be charged for each advance less than $500.00.

QUALIFICATION: You may be required to close your account(s) at any other institution in order to obtain this loan.

NEGATIVE AMORTIZATION: Under some circumstances, your payments will not cover the finance charges that accrue and "negative amortization" will occur. Negative amortization will increase the amount that you owe us and reduce your equity in your home.

FIXED RATE CONVERSION: The Credit Union offers the option to close the draw period and convert the loan to a fix rate loan. The loan will convert to a fixed rate loan after the five-year draw period. The line of credit is up to 85% of the value of the home.

MINIMUM PAYMENT REQUIREMENTS: You can obtain advances of credit during the following period: five years from the date of the plan (the "Draw Period"). After the Draw Period ends, the repayment period will begin. You will no longer be able to obtain credit advances. The length of the repayment period is as follows: ten ears from the end of the draw period. Initially, your Regular Payment will equal the amount of your accrued finance charges or $35.00, whichever is greater. You will make 60 of these payments. Your payments will be due monthly. Thereafter your Regular Payment will be based on an amortization of your balance at the start of the new payment period plus all accrued finance charges as shown below or $35.00, whichever is greater. Your payments will be due monthly. In calculating the payment amount by amortizing the balance over a certain period we will use the annual percentage rate in effect on the day we calculate your payment.

Range of Balances	Regular Payment Calculation
All Balances	1/120th of your balance at the start of the payment period plus all accrued finance charges your "minimum Payment" will be the Regular Payment, plus any amount past due and all other charges. In any event, if your Credit Union Line balance falls below $35.00, you agree to pay your balance in full.

MINIMUM PAYMENT EXAMPLE:

If you made only the minimum payment and took no other credit advances, it would take 15 years to pay off a credit advance of $10,000.00 at an **ANNUAL PERCENTAGE RATE** of 10.00%. Initially, you would make 60 monthly payments of $83.34. Then you would make 120 monthly payments of $132.15.

VARIABLE RATE FEATURE: The Plans have a variable rate feature. Your **APR** and monthly payment may change quarterly.
* The **APR** includes interest only and no other costs.

The Index. The variable **ANNUAL PERCENTAGE RATE (APR)** that will apply to your account is determined by adding a margin to the Index. The Index is the prevailing prime rate as disclosed in the Wall Street Journal on the last day of each quarter. The Index is rounded up to the nearest one-quarter of one percent (0.25%) and is computed as of each quarter. If the Index is no longer available, we will choose a new Index and margin. The new Index will have an historical movement substantially similar to the original Index, and the new Index and margin will result in an annual percentage rate that is substantially similar to the rate in effect at the time the original Index becomes unavailable.
Please ask us for the current Index value, margin, discount and annual rate. After you open a credit line, rate information will be provided on periodic statements that we send you.

FREQUENCY OF ANNUAL PERCENTAGE RATE ADJUSTMENTS. Your **APR** (annual percentage rate) can change every three months on February 1, May1, August1, and November 1 of each year (Change Dates). The maximum **ANNUAL PERCENTAGE RATE** that can apply is eighteen percent (18.00%), and the minimum rate cannot decrease below six percent (6.00%).

MAXIMUM RATE AND PAYMENT EXAMPLE.

Draw Period. If you had an outstanding balance of $10,000.00, the minimum payment at the maximum **ANNUAL PERCENTAGE RATE** of 18.00% would be $150.00. This annual percentage rate could be reached at the time of the 1st payment.

Repayment Period. If you had an outstanding balance of $10,000.00, the minimum payment at the maximum **ANNUAL PERCENTAGE RATE** of 18.00% would be $180.19. This annual percentage rate could be reached at the time of the 1st payment during the repayment period.

PREPAYMENT. A fee of $400.00 will be charged if this line is terminated by the borrower within 24 months of the loan argument.

HISTORICAL EXAMPLE: The example below shows how the annual percentage rate and the minimum payments for a single $10,000.00 credit advance would have changed based on changes in the Index from 2001 to 2016. The index values are from the following reference period: as of July 31st. While only one payment per year is shown, payments may have varied during each year. Different outstanding principal balances could result in different payment amounts. The table assumes that no additional credit advances were taken and that only the minimum payment was made. It does not necessarily indicate how the Index or your payment would change din the future.

Based on Wall Street Prime Rate and $10,000.00 Loan
Index values are from July of Each Year
Plan One (LTV up to 85%)

Year	Index	Margin*	APR	Min. Mth Pmt
2003	4.00%	1.00%	3.50%	$42.47
2004	4.25%	1.00%	5.25%	$44.59
2005	6.25%	1.00%	7.25%	$61.58
2006	8.25%	1.00%	9.25%	$78.56
2007	8.25%	1.00%	9.25%	$78.56
2008	5.00%	1.00%	6.00%	$50.96
2009	3.25%	1.00%	4.25%	$36.10
2010	3.25%	1.00%	4.25%	$36.10
2011	3.25%	1.00%	4.25%	$36.10
2012	3.25%	1.00%	4.25%	$36.10
----------Draw Period----------			Repayment Begins----------	
2013	3.25%	1.00%	4.25%	$103.00
2014	3.25%	1.00%	4.25%	$103.00
2015	3.25%	1.00%	4.25%	$103.00
2016	3.50%	1.00%	4.25%	$103.00
2017	4.50%	1.00%	5.50%	$108.53
2018	5.50%	1.00%	6.50%	$113.55

*This is a margin we have used recently; your margin may be different.
**This rate reflects the 18.00% rate cap.
***This rate reflects your fixed rate repayment period.

I have received a copy of this disclosure and of the booklet entitled "When Your Home is on the Line: What You Should Know About Home Equity Lines of Credit."

THIS IS NOT A COMMITMENT TO MAKE A LOAN.

X
Borrower DATE

X
Borrower DATE

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VARIABLE RATE REPAYMENT PLAN

Early Disclosure and Important Terms of Your Home Equity Secured Loan Program

RETENTION OF INFORMATION: This disclosure contains important information about your Utah Power Credit Union (UPCU) Home Equity Secured Line of Credit Loan (the "Plan"). You should read it carefully and keep a copy for your records.

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

AVAILABILITY OF TERMS: All of the terms described below are subject to change.

SECURITY INTEREST: All of the terms described below are subject to change.

POSSIBLE ACTIONS:

Termination and Acceleration: We can terminate the Plan and require you to pay us the entire outstanding balance in one payment, and charge you certain fees, if any of the following happens:

(a) You commit fraud or make a material misrepresentation at any time in conne3ction with the Plan. This can include, for example, 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 this plan.

(c) Your action or inaction adversely affects the collateral for the Plan or our rights in the collateral. This can include, for example, failure to maintain required insurance, waste or destructive use of the dwelling, failure to pay taxes, death of all persons liable 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.

Suspension or Reduction. In addition to any other rights we may have, we can suspend additional extensions of credit or reduce your credit limit during any period in which any of the following are in effect:

(a) The value of your dwelling declines significantly below the dwelling's appraised value for purposes of the Plan. This can include, for example, a decline such that the initial difference between the credit limit and the available equity is reduced by fifty percent and may include a smaller decline depending on the individual circumstances.

(b) We reasonably believe that you will be unable to fulfill your payment obligations under the Plan due to a material change in your financial circumstances.

(c) You are in default under any material obligation of the Plan. We consider all of your obligations to be material. Categories of material obligations include, but are not limited to, the events described above under Termination and Acceleration, obligations to pay fees and changes, obligation and limitations on the receipt of credit advances, obligations concerning maintenance or use of the dwelling or proceeds, obligations to pay and perform the terms of any other deed of trust, mortgage or lease of the dwelling, obligations to notify us and to provide documents or information to us (such as updated financial information), obligations to comply with applicable laws (such as zoning restrictions), and obligations of any guarantor or co-maker. No default will occur until we mail or deliver a notice of default to you, so you can restore your right to credit advances.

(d) We are precluded by government action from imposing the annual percentage rate provided for under the Plan.

(e) 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 limit.

(f) We have been notified by government authority that continued advances may constitute an unsafe and unsound business practice.

(g) The maximum annual percentage rate under the Plan is reached.

Change in Terms. We may make changes to the terms of the Plan if you agree to the change in writing at that time, if the change will unequivocally benefit you throughout the remainder of the Plan, or if the change is insignificant (such as changes relation to our data processing systems).

MINIMUM CREDIT LIMIT: $5,000.

INITIAL ADVANCE AMOUNT: None required.

SUBSEQUENT ADVANCE AMOUNT: Minimum subsequent advance is $500.

INSURANCE: UPCU requires that you maintain hazard insurance on your property during the term of this line of credit. Flood insurance may be required, if in a designated flood area.

FEES AND CHARGES. In order to open and maintain an account, you must pay certain fees and charges.

Lender Fees. The following fees must be paid to us.

	Amount	When Charged
Points:	0.00	At closing
Loan Fees:	0.00	At closing
Annual Maint. Fee	0.00	At closing

Other Lender Fees: If certain activities occur on your account, the following fees will be imposed upon the occurrence of the designated events.

	Amount When Charged
Fee to Close Account:	$400.00 At time your line is closed (Line closed within 24 months).
Cancellation Fee:	$200.00
Reconveyance Fee:	$250.00 (up to)
Overlimit Charge:	$30.00 At the time your credit line balance exceeds your credit limit.
Advances Less Than Minimum:	$15.00 At the time of an advance below the required minimum amount.
Late Charges:	Payment will be late if it is not received by us within 10 days of the "Payment Due Date" shown on your periodic statement. If your payment is late we may charge you 5.0% of the payment or $15.00, whichever is greater.

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Third Party Fees. You may pay certain fees to third parties such as appraisers, credit reporting firms, and government agencies. These third party fees generally total between 0 and $1750.00. We estimate the breakdown of these as follows:

	Amount	
Title Closing:	$350.00	
Recording:	$100.00	
Title Insurance:	$850.00	
Credit Report:	$0.00	
Appraisal (if required/ or requested)	$450.00	Maximum Possible

Schedule Fee Changes. OVERLIMIT CHARGE: $30.00 will be charged each time the line exceeds the credit limit. CHARGE FOR ADVANCES LESS THAN THE MINIMUM: $15.00 will be charged for each advance less than $500.00.

QUALIFICATION: You may be required to close your account(s) at any other institution in order to obtain this loan.

NEGATIVE AMORTIZATION: Under some circumstances, your payments will not cover the finance charges that accrue and "negative amortization" will occur. Negative amortization will increase the amount that you owe us and reduce your equity in your home.

FIXED RATE CONVERSION: The Credit Union offers the option to close the draw period and convert the loan to a fix rate loan. The loan will convert to a fixed rate loan after the TEN year draw period. The line of credit is up to 85% of the value of the home.

MINIMUM PAYMENT REQUIREMENTS: You can obtain advances of credit during the following period: TEN years from the date of the plan (the "Draw Period"). After the Draw Period ends, the repayment period will begin. You will no longer be able to obtain credit advances. The length of the repayment period is as follows: ten years from the end of the draw period. Initially, your Regular Payment will equal the amount of your accrued finance charges or $35.00, whichever is greater. You will make 120 of these payments. Your payments will be due monthly. Thereafter your Regular Payment will be based on an amortization of your balance at the start of the new payment period plus all accrued finance charges as shown below or $35.00, whichever is greater. Your payments will be due monthly. In calculating the payment amount by amortizing the balance over a certain period we will use the annual percentage rate in effect on the day we calculate your payment.

Range of Balances	**Regular Payment Calculation**
All Balances	1/120th of your balance at the start of the payment period plus all accrued finance charges your "minimum Payment" will be the Regular Payment, plus any amount past due and all other charges. In any event, if your Credit Union Line balance falls below $35.00, you agree to pay your balance in full.

MINIMUM PAYMENT EXAMPLE:

If you made only the minimum payment and took no other credit advances, it would take 15 years to pay off a credit advance of $10,000.00 at an **ANNUAL PERCENTAGE RATE** of 10.00%. Initially, you would make 120 monthly payments of $83.34. Then you would make 120 monthly payments of $132.15.

VARIABLE RATE FEATURE: The Plan has a variable rate feature. Your **APR** and monthly payment may change quarterly.

* The **APR** includes interest only and no other costs.

The Index. The variable **ANNUAL PERCENTAGE RATE (APR)** that will apply to your account is determined by adding a margin to the Index. The Index is the prevailing prime rate as disclosed in the Wall Street Journal on the last day of each quarter. The Index is rounded up to the nearest one-quarter of one percent (0.25%) and is computed as of each quarter. If the Index is no longer available, we will choose a new Index and margin. The new Index will have an historical movement substantially similar to the original Index, and the new Index and margin will result in an annual percentage rate that is substantially similar to the rate in effect at the time the original Index becomes unavailable.
Please ask us for the current Index value, margin, discount and annual rate. After you open a credit line, rate information will be provided on periodic statements that we send you.

FREQUENCY OF ANNUAL PERCENTAGE RATE ADJUSTMENTS. Your **APR** (annual percentage rate) can change every three months on February 1, May1, August1, and November 1 of each year (Change Dates). The maximum **ANNUAL PERCENTAGE RATE** that can apply is eighteen percent (18.00%), and the minimum rate cannot decrease below six percent (6.00%).

MAXIMUM RATE AND PAYMENT EXAMPLE.

Draw Period. If you had an outstanding balance of $10,000.00, the minimum payment at the maximum **ANNUAL PERCENTAGE RATE** of 18.00% would be $150.00. This annual percentage rate could be reached at the time of the 1st payment.

Repayment Period. If you had an outstanding balance of $10,000.00, the minimum payment at the maximum **ANNUAL PERCENTAGE RATE** of 18.00% would be 180.19. This annual percentage rate could be reached at the time of the 1st payment during the repayment period.

PREPAYMENT. A fee of $400.00 will be charged if this line is terminated by the borrower within 24 months of the loan agreement.

HISTORICAL EXAMPLE: The example below shows how the annual percentage rate and the minimum payments for a single $10,000.00 credit advance would have changed based on changes in the Index from 2001 to 2016. The index values are from the following reference period: as of July 31st. While only one payment per year is shown, payments may have varied during each year. Different outstanding principal balances could result in different payment amounts. The table assumes that no additional credit advances were taken and that only the minimum payment was made. It does not necessarily indicate how the Index or your payments would change in the future.

Plan Two (LTV above 85% to 100%)

Draw Period. If you had an outstanding balance of $10,000.00, the minimum payment at the maximum **ANNUAL PERCENTAGE RATE** of 18.00% would be $150.00. This annual percentage rate could be reached at the time of the 1st payment.

Repayment Period. If you had an outstanding balance of $10,000.00,

the minimum payment at the maximum **ANNUAL PERCENTAGE RATE** of 18.00% would be 180.19. This annual percentage rate could be reached at the time of the 1st payment during the repayment period.

Plan Three (LTV up to 65%)

Draw Period. If you had an outstanding balance f $10,000.00 the minimum payment at the maximum **ANNUAL PERCENTAGE RATE** of 18.00% would be $150.00. This annual percentage rate could be reached at the time of the 1st payment.

Repayment Period. If you had an outstanding balance of $10,000.00, the minimum payment at the maximum **ANNUAL PERCENTAGE RATE** of 18.00% would be 180.19. This annual percentage rate could be reached at the time of the 1st payment during the repayment period. **PREPAYMENT.** A fee of $400.00 will be charged if this line is terminated by the borrower within 24 months of the loan argument.

HISTORICAL EXAMPLE: The example below shows how the annual percentage rate and the minimum payments for a single $10,000.00 credit advance would have changed based on changes in the Index from 1981 to 1996. The index values are from the following reference period: as of July 31st. While only one payment per year is shown, payments may have varied during each year. Different outstanding principal balances could result in different payment amounts. The table assumes that no additional credit advances were taken and that only the minimum payment was made. It does not necessarily indicate how the Index or your payment would change din the future.

Based on Wall Street Prime Rate and $10,000 Loan
Index Values are from July of Each Year
Plan One (LTV up to 85%)

Year	Index	Margin*	APR	Min. Mth Pmt
2003	4.00%	2.00%	6.00%	$46.71
2004	4.25%	2.00%	6.25%	$48.84
2005	6.25%	2.00%	8.25%	$65.82
2006	8.25%	2.00%	10.25%	$82.80
2007	8.25%	2.00%	10.25%	$82.80
2008	5.00%	2.00%	7.00%	$55.21
2009	3.25%	2.00%	5.25%	$40.34
2010	3.25%	2.00%	5.25%	$40.34
2011	3.25%	2.00%	5.25%	$104.85
2012	3.25%	2.00%	5.25%	$104.85
----------Draw Period----------			Repayment Begins----------	
2013	3.25%	2.00%	5.25%	$104.85
2014	3.25%	2.00%	5.25%	$104.85
2015	3.25%	2.00%	5.25%	$104.85
2016	3.50%	2.00%	4.50%	$104.85
2017	4.50%	2.00%	6.50%	$113.55
2018	5.50%	2.00%	7.50%	$118.70

*This is a margin we have used recently; your margin may be different.
**This rate reflects the 18.00% rate cap.

Based on Wall Street Prime Rate and $10,000 Loan
Index Values are from July of Each Year
Plan Three (LTV up to 65%)

Year	Index	Margin*	APR	Min. Mth Pmt
2003	4.00%	0.00%	4.00%	$40.34
2004	4.25%	0.00%	4.25%	$33.97
2005	6.25%	0.00%	6.25%	$36.09
2006	8.25%	0.00%	8.25%	$53.08
2007	8.25%	0.00%	5.00%	$70.07
2008	5.00%	0.00%	3.25%	$42.47
2009	3.25%	0.00%	3.25%	$27.60
2010	3.25%	0.00%	3.25%	$27.60
2011	3.25%	0.00%	3.25%	$27.60
2012	3.25%	0.00%	3.25%	$97.72
----------Draw Period----------			Repayment Begins----------	
2013	3.25%	0.00%	3.25%	$97.72
2014	3.25%	0.00%	3.25%	$97.72
2015	3.25%	0.00%	3.25%	$97.72
2016	3.50%	0.00%	3.50%	$97.72
2017	4.50%	0.00%	4.50%	$103.64
2018	5.50%	0.00%	5.50%	$108.53

*This is a margin we have used recently; your margin may be different.
**This rate reflects the 18.00% rate cap.

Based on Wall Street Prime Rate and $10,000 Loan
Index Values are from July of Each Year
Plan Two (LTV above 85% to 100%)

Year	Index	Margin*	APR	Min. Mth Pmt
2003	4.00%	1.50%	5.50%	$46.71
2004	4.25%	1.50%	5.75%	$48.84
2005	6.25%	1.50%	5.75%	$65.82
2006	8.25%	1.50%	7.75%	$82.80
2007	8.25%	1.50%	9.75%	$82.80
2008	5.00%	1.50%	9.75%	$55.21
2009	3.25%	1.50%	6.50%	$40.34
2010	3.25%	1.50%	4.75%	$40.34
2011	3.25%	1.50%	4.75%	$104.85
2012	3.25%	1.50%	4.75%	$104.85
----------Draw Period----------			Repayment Begins----------	
2013	3.25%	1.50%	4.75%	$104.85
2014	3.25%	1.50%	4.75%	$104.85
2015	3.25%	1.50%	4.75%	$104.85
2016	3.50%	1.50%	4.75%	$104.85
2017	4.50%	1.50%	6.00%	$111.02
2018	5.50%	1.50%	7.00%	$116.11

*This is a margin we have used recently; your margin may be different.
**This rate reflects the 18.00% rate cap.

I have received a copy of this disclosure and of the booklet entitled "When Your Home is on the Line: What You Should Know About Home Equity Lines of Credit."

THIS IS NOT A COMMITMENT TO MAKE A LOAN.

X _____
Borrower DATE

X _____
Borrower DATE

WHAT YOU SHOULD KNOW ABOUT HOME EQUITY LINES OF CREDIT.
Consumer Financial Protection Bureau

1. Introduction
If you are in the market for credit, a home equity plan is one of several options that might be right for you. Before making a decision, however, you should weigh carefully the costs of a home equity line against the benefits. Shop for the credit terms that best meet your borrowing needs without posing undue financial risks. And remember, failure to repay the amounts you've borrowed, plus interest, could mean the loss of your home.

1.1 Home equity plan checklist
Ask your lender to help you fill out this worksheet.

Basic features for comparison	Plan A	Plan B
Fixed annual percentage rate	%	%
Variable annual percentage rate	%	%
• Index used and current value	%	%
• Amount of margin		
• Frequency of rate adjustments		
• Amount/length of discount (if any)		
• Interest-rate cap and floor		
Length of plan		
Draw period		
Repayment period		
Initial fees		
Appraisal fee		
Application fee		
Up-front charges, including points		
Closing costs		
Repayment Terms		
During the draw period		
Interest and principal payments		
Interest – only payment		
Fully amortizing payments		
When the draw period ends		
Balloon payment?		
Renewal available?		
Refinancing of balance by lender?		

2. What is a home equity line of credit?
A home equity line of credit is a form of revolving credit in which your home serves as collateral. Because a home often is a consumer's most valuable asset, many homeowners use home equity credit lines only for major items, such as education, home improvements, or medical bills, and choose not to use them for day-to-day expenses.

With a home equity line, you will be approved for a specific amount of credit. Many lenders set the credit limit on a home equity line by taking a percentage (say, 75 percent) of the home's appraised value and subtracting from that the balance owed on the existing mortgage. For example:

Appraised value of home	$100,000
Percentage	x 75%
Percentage of appraised value	=$75,000
Less balance owed on mortgage	-$40,000
Potential line of credit	$35,000

In determining your actual credit limit, the lender will also consider your ability to repay the loan (principal and interest) by looking at your income, debts, and other financial obligations as well as your credit history.

Many home equity plans set a fixed period during which you can borrow money, such as 10 years. At the end of this "draw period," you may be allowed to renew the credit line. If your plan does not allow renewals, you will not be able to borrow additional money once the period has ended. Some plans may call for payment in full of any outstanding balance at the end of the period. Others may allow repayment over a fixed period (the "repayment period"), for example, 10 years.

Once approved for a home equity line of credit, you will most likely be able to borrow up to your credit limit whenever you want. Typically, you will use special checks to draw on your line. Under some plans, borrowers can use a credit card or other means to draw on the line.

There may be other limitations on how you use the line. Some plans may require you to borrow a minimum amount each time you draw on the line (for example, $300) or keep a minimum amount outstanding. Some plans may also require that you take an initial advance when the line is set up.

2.1 What should you look for when shopping for a plan?

If you decide to apply for a home equity line of credit, look for the plan that best meets your particular needs. Read the credit agreement carefully, and examine the terms and conditions of various plans, including the annual percentage rate (APR) and the costs of establishing the plan. Remember, though, that the APR for a home equity line is based on the interest rate alone and will not reflect closing costs and other fees and charges, so you'll need to compare these costs, as well as the APRs, among lenders.

2.1.1 Variable interest rates

Home equity lines of credit typically involve variable rather than fixed interest rates. The variable rate must be based on a publicly available index (such as the prime rate published in some major daily newspapers or a U.S. Treasury bill rate). In such cases, the interest rate you pay for the line of credit will change, mirroring changes in the value of the index. Most lenders cite the interest rate you will pay as the value of the index at a particular time, plus a "margin," such as 2 percentage points. Because the cost of borrowing is tied directly to the value of the index, it is important to find out which index is used, how often the value of the index changes, and how high it has risen in the past. It is also important to note the amount of the margin.

Lenders sometimes offer a temporarily discounted interest rate for home equity lines—an "introductory" rate that is unusually low for a short period, such as six months.

Variable-rate plans secured by a dwelling must, by law, have a ceiling (or cap) on how much your interest rate may increase over the life of the plan. Some variable-rate plans limit how much your payment may increase and how low your interest rate may fall if the index drops.

Some lenders allow you to convert from a variable interest rate to a fixed rate during the life of the plan, or let you convert all or a portion of your line to a fixed-term installment loan.

2.2 Costs of establishing and maintaining a home equity line

Many of the costs of setting up a home equity line of credit are similar to those you pay when you get a mortgage. For example:

- A fee for a property appraisal to estimate the value of your home;
- An application fee, which may not be refunded if you are turned down for credit;
- Up-front charges, such as one or more "points" (one point equals 1 percent of the credit limit); and
- Closing costs, including fees for attorneys, title search, mortgage preparation and filing, property and title insurance, and taxes.

In addition, you may be subject to certain fees during the plan period, such as annual membership or maintenance fees and a transaction fee every time you draw on the credit line.

You could find yourself paying hundreds of dollars to establish the plan. And if you were to draw only a small amount against your credit line, those initial charges would substantially increase the cost of the funds borrowed. On the other hand, because the lender's risk is lower than for other forms of credit, as your home serves as collateral, annual percentage rates for home equity lines are generally lower than rates for other types of credit. The interest you save could offset the costs of establishing and maintaining the line. Moreover, some lenders waive some or all of the closing costs.

2.3 How will you repay your home equity plan?

Before entering into a plan, consider how you will pay back the money you borrow. Some plans set a minimum monthly payment that includes a portion of the principal (the amount you borrow) plus accrued interest. But, unlike with typical installment loan agreements, the portion of your payment that goes toward principal may not be enough to repay the principal by the end of the term. Other plans may allow payment of only the interest during the life of the plan, which means that you pay nothing toward the principal. If you borrow $10,000, you will owe that amount when the payment plan ends.

Regardless of the minimum required payment on your home equity line, you may choose to pay more, and many lenders offer a choice of payment options. However, some lenders may require you to pay special fees or penalties if you choose to pay more, so check with your lender. Many consumers choose to pay down the principal regularly as they do with other loans. For example, if you use your line to buy a boat, you may want to pay it off as you would a typical boat loan.

Whatever your payment arrangements during the life of the plan—whether you pay some, a little, or none of the principal amount of the loan—when the plan ends, you may have to pay the entire balance owed, all at once. You must be prepared to make this "balloon payment" by refinancing it with the lender, by obtaining a loan from another lender, or by some other means. If you are unable to make the balloon payment, you could lose your home.

If your plan has a variable interest rate, your monthly payments may change. Assume, for example, that you borrow $10,000 under a plan that calls for interest-only payments. At a 10 percent interest rate, your monthly payments would be $83. If the rate rises over time to 15 percent, your monthly payments will increase to $125. Similarly, if you are making payments that cover interest plus some portion of the principal, your monthly payments may increase, unless your agreement calls for keeping payments the same throughout the plan period.

If you sell your home, you will probably be required to pay off your home equity line in full immediately. If you are likely to sell your home in the near future, consider whether it makes sense to pay the up-front costs of setting up a line of credit. Also keep in mind that renting your home may be prohibited under the terms of your agreement.

2.4 Line of credit vs. traditional second mortgage loans

If you are thinking about a home equity line of credit, you might also want to consider a traditional second mortgage loan. This type of loan provides you with a fixed amount of money, repayable over a fixed period. In most cases, the payment schedule calls for equal payments that

pay off the entire loan within the loan period. You might consider a second mortgage instead of a home equity line if, for example, you need a set amount for a specific purpose, such as an addition to your home.

In deciding which type of loan best suits your needs, consider the costs under the two alternatives. Look at both the APR and other charges. Do not, however, simply compare the APRs, because the APRs on the two types of loans are figured differently:

- The APR for a traditional second mortgage loan takes into account the interest rate charged plus points and other finance charges.
- The APR for a home equity line of credit is based on the periodic interest rate alone. It does not include points or other charges.

2.4.1 Disclosures from lenders

The federal Truth in Lending Act requires lenders to disclose the important terms and costs of their home equity plans, including the APR, miscellaneous charges, the payment terms, and information about any variable-rate feature. And in general, neither the lender nor anyone else may charge a fee until after you have received this information. You usually get these disclosures when you receive an application form, and you will get additional disclosures before the plan is opened. If any term (other than a variable-rate feature) changes before the plan is opened, the lender must return all fees if you decide not to enter into the plan because of the change. Lenders are also required to provide you with a list of homeownership counseling organizations in your area.

When you open a home equity line, the transaction puts your home at risk. If the home involved is your principal dwelling, the Truth in Lending Act gives you three days from the day the account was opened to cancel the credit line. This right allows you to change your mind for any reason. You simply inform the lender in writing within the three-day period. The lender must then cancel its security interest in your home and return all fees— including any application and appraisal fees—paid to open the account.

The Home Ownership and Equity Protection Act of 1994 (HOEPA) addresses certain unfair practices and establishes requirements for certain loans with high rates and fees, including certain additional disclosures. HOEPA now covers some HELOCs. You can find out more information by contacting the CFPB at the website address and phone number listed in the Contact information appendix, below.

2.5 What if the lender freezes or reduces your line of credit?

Plans generally permit lenders to freeze or reduce a credit line if the value of the home "declines significantly" or when the lender "reasonably believes" that you will be unable to make your payments due to a "material change" in your financial circumstances. If this happens, you may want to:

- Talk with your lender. Find out what caused the lender to freeze or reduce your credit line and what, if anything, you can do to restore it. You may be able to provide additional information to restore your line of credit, such as documentation showing that your house has retained its value or that there has not been a "material change" in your financial circumstances. You may want to get copies of your credit reports (go to the CFPB's website at consumerfinance.gov/askcfpb/5/can-i-review-my-credit-report.html for information about how to get free copies of your credit reports) to make sure all the information in them is correct. If your lender suggests getting a new appraisal, be sure you discuss appraisal firms in advance so that you know they will accept the new appraisal as valid.
- Shop around for another line of credit. If your lender does not want to restore your line of credit, shop around to see what other lenders have to offer. If another lender is willing to offer you a line of credit, you may be able to pay off your original line of credit and take out another one. Keep in mind, however, that you may need to pay some of the same application fees you paid for your original line of credit.

APPENDIX A:

Defined terms

This glossary provides general definitions for terms commonly used in the real estate market. They may have different legal meanings depending on the context.

ANNUAL MEMBERSHIP OR MAINTENANCE FEE An annual charge for access to a financial product such as a line of credit, credit card, or account. The fee is charged regardless of whether or not the product is used.

ANNUAL PERCENTAGE RATE (APR) The cost of credit, expressed as a yearly rate. For closed-end credit, such as car loans or mortgages, the APR includes the interest rate, points, broker fees, and other credit charges that the borrower is required to pay. An APR, or an equivalent rate, is not used in leasing agreements.

APPLICATION FEE Fees charged when you apply for a loan or other credit. These fees may include charges for property appraisal and a credit report.

BALLOON PAYMENT A large extra payment that may be charged at the end of a mortgage loan or lease.

CAP (INTEREST RATE) A limit on the amount that your interest rate can increase. Two types of interest-rate caps exist. Periodic adjustment caps limit the interest-rate increase from one adjustment period to the next. Lifetime caps limit the interest-rate increase over the life of the loan. By law, all adjustable-rate mortgages have an overall cap.

CLOSING OR SETTLEMENT COSTS Fees paid when you close (or settle) on a loan. These fees may include application fees; title examination, abstract of title, title insurance, and property survey fees; fees for preparing deeds, mortgages, and settlement documents; attorneys' fees; recording fees; estimated costs of taxes and insurance; and notary, appraisal, and credit report fees. Under the Real Estate Settlement Procedures Act, the borrower receives a good faith estimate of closing costs within three days of application. The good faith estimate lists each expected cost as an amount or a range.

CREDIT LIMIT The maximum amount that may be borrowed on a credit card or under a home equity line of credit plan.

pay off the entire loan within the loan period. You might consider a second mortgage instead of a home equity line if, for example, you need a set amount for a specific purpose, such as an addition to your home.

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CREDIT LIMIT The maximum amount that may be borrowed on a credit card or under a home equity line of credit plan.

EQUITY The difference between the fair market value of the home and the outstanding balance on your mortgage plus any outstanding home equity loans.

INDEX The economic indicator used to calculate interest-rate adjustments for adjustable-rate mortgages or other adjustable-rate loans. The index rate can increase or decrease at any time. See also Selected index rates for ARMs over an 11-year period (consumerfinance.gov/f/201204_CFPB_ARMs-brochure.pdf) for examples of common indexes that have changed in the past.

INTEREST RATE The percentage rate used to determine the cost of borrowing money, stated usually as a percentage of the principal loan amount and as an annual rate.

MARGIN The number of percentage points the lender adds to the index rate to calculate the adjustable-rate-mortgage interest rate at each adjustment.

MINIMUM PAYMENT The lowest amount that you must pay (usuallymonthly) to keep your account in good standing. Under some plans, the minimum payment may cover interest only; under others, it may include both principal and interest.

POINTS (ALSO CALLED DISCOUNT POINTS) One point is equal to 1 percent of the principal amount of a mortgage loan. For example, if a mortgage is $200,000, one point equals $2,000. Lenders frequently charge points in both fixed-rate and adjustable-rate mortgages to cover loan origination costs or to provide additional compensation to the lender or broker. These points usually are paid at closing and may be paid by the borrower or the home seller, or may be split between them. In some cases, the money needed to pay points can be borrowed (incorporated in the loan amount), but doing so will increase the loan amount and the total costs. Discount points (also called discount fees) are points that you voluntarily choose to pay in return for a lower interest rate.

SECURITY INTEREST If stated in your credit agreement, a creditor, lessor, or assignee's legal right to your property (such as your home, stocks, or bonds) that secures payment of your obligation under the credit agreement. The property that secures payment of your obligation is referred to as "collateral."

TRANSACTION FEE Fee charged each time a withdrawal or other specified transaction is made on a line of credit, such as a balance transfer fee or a cash advance fee.

VARIABLE RATE An interest rate that changes periodically in relation to an index, such as the prime rate. Payments may increase or decrease accordingly.

APPENDIX B:

More information

For more information about mortgages, including home equity lines of credit, visit consumerfinance.gov/mortgage. For answers to questions about mortgages and other financial topics, visit consumerfinance.gov/askcfpb. You may also visit the CFPB's website at consumerfinance.gov/owning-a-home to access interactive tools and resources for mortgage shoppers, which are expected to be available beginning in 2014.

Housing counselors can be very helpful, especially for first-time home buyers or if you're having trouble paying your mortgage. The U.S. Department of Housing and Urban Development (HUD) supports housing counseling agencies throughout the country that can provide free or low-cost advice. You can search for HUD-approved housing counseling agencies in your area on the CFPB's web site at consumerfinance.gov/find-a-housing-counselor or by calling HUD's interactive toll-free number at 800-569-4287.

The company that collects your mortgage payments is your loan servicer. This may not be the same company as your lender. If you have concerns about how your loan is being serviced or another aspect of your mortgage, you may wish to submit a complaint to the CFPB at consumerfinance.gov/complaint or by calling (855) 411-CFPB (2372).

When you submit a complaint to the CFPB, the CFPB will forward your complaint to the company and work to get a response. Companies have 15 days to respond to you and the CFPB. You can review the company's response and give feedback to the CFPB.

APPENDIX C:

Contact information

For additional information or to submit a complaint, you can contact the CFPB or one of the other federal agencies listed below, depending on the type of institution. If you are not sure which agency to contact, you can submit a complaint to the CFPB and if the CFPB determines that another agency would be better able to assist you, the CFPB will refer your complaint to that agency and let you know.

Regulatory agency	Regulated entities	Contact information
Consumer Financial Protection Bureau (CFPB) P.O. Box 4503 Iowa City, IA 52244	Insured depository institutions and credit unions with assets greater than $10 billion (and their affiliates), and non-bank providers of consumer financial products and services, including mortgages, credit cards, debt collection, consumer reports, prepaid cards, private education loans, and payday lending	(855) 411-CFPB (2372) consumerfinance.gov consumerfinance.gov/ complaint
Board of Governors of the Federal Reserve System (FRB) Consumer Help P.O. Box 1200 Minneapolis, MN 55480	Federally insured state-chartered bank members of the Federal Reserve System	(888) 851-1920 federalreserveconsumerhelp.gov
Office of the Comptroller of the Currency (OCC) Customer Assistance Group 1301 McKinney Street Suite 3450 Houston, TX 77010	National banks and federally chartered savings banks/associations	(800) 613-6743 occ.treas.gov helpwithmybank.gov
Federal Deposit Insurance Corporation (FDIC) Consumer Response Center 1100 Walnut Street, Box #11 Kansas City, MO 64106	Federally insured state-chartered banks that are not members of the Federal Reserve System	(877) ASK-FDIC or (877) 275-3342 fdic.gov fdic.gov/consumers
Federal Housing Finance Agency (FHFA) Consumer Communications Constitution Center 400 7th Street, S.W. Washington, DC 20024	Fannie Mae, Freddie Mac, and the Federal Home Loan Banks	Consumer Helpline (202) 649-3811 fhfa.gov fhfa.gov/Default.aspx?Page=369 ConsumerHelp@fhfa.gov
National Credit Union Administration (NCUA) Consumer Assistance 1775 Duke Street Alexandria, VA 22314	Federally charted credit unions (800) 755-1030 ncua	(800) 755-1030 ncua.gov mycreditunion.gov
Federal Trade Commission (FTC) Consumer Response Center 600 Pennsylvania Ave, N.W. Washington, DC 20580	Finance companies, retail stores, auto dealers, mortgage companies and other lenders, and credit bureaus	(877) FTC-HELP or (877) 382-4357 ftc.gov ftc.gov/bcp
Securities and Exchange Commission (SEC) Complaint Center 100 F Street, N.E. Washington, DC 20549	Brokerage firms, mutual fund companies, and investment advisers	(202) 551-6551 sec.gov sec.gov/complaint/select.shtml
Farm Credit Administration Office of Congressional and Public Affairs 1501 Farm Credit Drive McLean, VA 22102	Agricultural lenders	(703) 883-4056 fca.gov
Small Business Administration (SBA) Consumer Affairs 409 3rd Street, S.W. Washington, DC 20416	Small business lenders	(800) U-ASK-SBA or (800) 827-5722 sba.gov
Commodity Futures Trading Commission (CFTC) 1155 21st Street, N.W. Washington, DC 20581	Commodity brokers, commodity trading advisers, commodity pols, and introducing brokers	(866) 366-2382 cftc.gov/consumer-protection
U.S. Department of Justice (DOJ) Civil Rights Division 950 Pennsylvania Ave, N.W. Housing and Civil Enforcement Section Washington DC 20530	Fair lending and housing issues	(202) 514-4713 TTY–(202) 305-1882 FAX–(202) 514-1116 To report an incident of housing discrimination: 1-800-896-7743 fairhousing@usdoj.gov
Department of Housing and Urban Development (HUD) Office of Fair	Fair lending and housing issues	(800) 669-9777 hud.gov/complaints

Housing/Equal Opportunity 451 7th Street, S.W. Washington, DC 20410		