

IMPORTANT TERMS OF YOUR ESL FEDERAL CREDIT UNION (ESL) HOME EQUITY LINE OF CREDIT

This disclosure contains important information about the Home Equity Line of Credit (HELOC) product at ESL Federal Credit Union (ESL). You should read it carefully. Please keep a copy of this disclosure for your records.

Original HELOC Account: The "original HELOC account" refers to the credit agreement and plan entered into by you and ESL upon the initiation of your HELOC account. If you are increasing your HELOC account credit limit on an existing account, certain terms and conditions described below will be referenced to your "original HELOC account."

Introductory Period: You may receive a discounted interest rate for a period of time at the beginning of your HELOC account. This period of time is referred to as the "introductory period".

Availability of Terms: Quoted rates and terms are subject to change until we receive a completed application.

If these terms change 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 have paid to us or to anyone else in connection with your application.

Security Interest: We will take a mortgage 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 account, require you to pay us the entire outstanding balance in one payment 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; you default in the payment of this loan or any other account or obligation with ESL. 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; or the maximum ANNUAL PERCENTAGE RATE is reached.

The initial agreement permits us to make certain changes to the terms of the agreement at specified times or upon the occurrence of specified events.

Minimum Payment Requirements: You can obtain advances of credit for 10 years from the date your original HELOC account credit agreement was finalized (the "draw period"). During the draw period, payments will be due monthly. Your minimum monthly payment will equal the greater of \$100 or 0.1700% of the principal loan balance at the end of the last monthly statement period, plus interest which will accrue on that balance at the current interest rate, plus any late charges and any other charges including the next premium which will become due for optional credit life and/or disability insurance, if any.

After the draw period ends, you will no longer be able to obtain credit advances and must pay the outstanding balance over 20 years (the "repayment period"). During the repayment period,

payments will be due monthly. Your minimum monthly payment will equal the amount you would have to pay in substantially equal monthly payments to repay in full the principal loan balance outstanding at the end of your draw period plus all interest that will accrue on that balance at the then current interest rate, over a period of twenty years, plus any late charges and any other charges including the next premium which will become due for optional credit life and/or disability insurance, if any.

MINIMUM PAYMENT EXAMPLE: If you took a single \$10,000 advance and the **ANNUAL PERCENTAGE RATE** was 3.25%, it would take 9 years and 9 months to repay the advance if you made only the minimum payment. During the draw period, you would make 116 monthly payments of \$100 each, followed by one payment of \$78.58, and then during the repayment period, you would make 0 monthly payments.

Fees and Charges: To open and maintain a line of credit, you must pay the following non-refundable fees to us:

<u>LOAN SIZE</u>	<u>FEE AMOUNT</u>
\$5,000 - \$9,999.99	\$298.00 Due at finalization
Over \$10,000	None

If you close out your HELOC (or if we close it due to your default) within the first 24 months of the open date or your credit limit increase (whichever is later), you may be required to reimburse us for all costs and fees which we have waived or paid in connection with opening your HELOC or credit limit increase. We will give you an itemization of these fees, which will generally total between \$364 (for a \$10,000 line) and \$2,164 (for a \$250,000 line). (Lines for more than \$250,000 are available.)

You must obtain property insurance and flood insurance if applicable.

Minimum Draw Requirement: There is no minimum credit advance.

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

Variable-Rate Information: The line has a variable-rate feature. The ANNUAL PERCENTAGE RATE (corresponding to the periodic rate) and the minimum payment can change.

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 as published in *The Wall Street Journal*, which is in effect on the fifth to last business day of the preceding month rounded to the nearest one-eighth of one percent. To determine the ANNUAL PERCENTAGE RATE that will apply to your line, we add a margin to the value of the index.

If your new HELOC account or your HELOC account with a credit limit increase is in its introductory period, the initial ANNUAL PERCENTAGE RATE may be a fixed interest rate that is "discounted". It is not based on the index and margin used for later rate adjustments. Any initial fixed interest rate will be in effect until the date specified in your original HELOC account credit agreement.

If your new HELOC account or your HELOC account with a credit limit does not have a fixed initial interest rate, your ANNUAL PERCENTAGE RATE will always be calculated as described above in the **Variable-Rate Information** section. (*Please turn over.*)

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Ask us for the current index value, margin, rate limitations, and ANNUAL PERCENTAGE RATE. After you open a credit line, rate information will be provided on periodic statements that we will send you.

Rate Changes: The ANNUAL PERCENTAGE RATE can change each month. The ANNUAL PERCENTAGE RATE can never exceed 15.9%. Except for this lifetime "cap," there is no limit on the amount by which the rate can change during any one-year period.

MAXIMUM RATE AND PAYMENT EXAMPLE: If the ANNUAL PERCENTAGE RATE during the draw period equaled the 15.9% maximum rate and you had an outstanding loan balance of \$10,000, your minimum periodic payment would be \$152.04. This annual percentage rate could be reached by the second month after the beginning of the draw period.

YOUR BILLING RIGHTS KEEP THIS NOTICE FOR FUTURE USE: This notice contains important information about your rights and our responsibilities under the Fair Credit Billing Act.

NOTIFY US IN CASE OF ERRORS OR QUESTIONS ABOUT YOUR HOME EQUITY LINE OF CREDIT STATEMENT - If you think your statement is wrong, or if you need more information about a transaction on your statement, write to us on a separate sheet at the address listed on your statement. We must hear from you no later than 60 days after we sent you the first statement on which the error or problem appeared. You can telephone us, but doing so will not preserve your rights.

In your letter, give us the following information:

- Your name and account number.
- The dollar amount of the suspected error.
- Describe the error and explain if you can, why you believe there is an error. If you need more information, describe the item you are not sure about.

YOUR RIGHTS AND OUR RESPONSIBILITIES AFTER WE RECEIVE YOUR WRITTEN NOTICES We must acknowledge your letter within 30 days, unless we have corrected the error by then. Within 90 days, we must either correct the error or explain why we believe the statement was correct.

After we receive your letter, we cannot try to collect any amount you question, or report you as delinquent. We can continue to bill you for the amount you question, including finance charges, and we can apply any unpaid amount against your credit limit. You do not have to pay any questioned amount while we are investigating, but you are still obligated to pay the parts of your statement that are not in question.

If we find that we made a mistake on your statement, you will not have to pay any finance charges related to any questioned amount. If we didn't make a mistake, you may have to pay finance charges, and you will have to make up any missed payments on the questioned amount. In either case, we will send you a statement of the amount you owe and the date that it is due.

If you fail to pay the amount that we determine you owe, we may report you as delinquent. However, if our explanation does not satisfy you and you write to us within 10 days telling us that you still refuse to pay, we must tell anyone we report you to that you have a question about your statement. And, we must tell you the name of anyone we reported you to. We must tell anyone we report you to that the matter has been settled between us when it finally is.

If we don't follow these rules, we cannot collect the first \$50 of the questioned amount, even if your statement was correct.

Historical Example: The following tables show how the ANNUAL PERCENTAGE RATE and the minimum monthly payments for a single \$10,000 credit advance with a total loan to value of 80% would have changed based on changes in the index over the past 15 years. While only one payment amount per year is shown, payments would have varied during each year of the repayment period. The index values are from the fifth to last business day of April each year.

The tables assume that no additional credit advances were taken, that only the minimum payments were made, and that the rate remained constant during each year. The tables do not necessarily indicate how the indices or your payments will change in the future.

This table pertains to new HELOC accounts, including those with a credit limit increase during the introductory period.					
Year	Index (%)	Margin* (%)	Annual Percentage Rate (%)	Monthly Minimum Payment (\$)	
1997	8.50	0.0	8.50	100.00	
1998	8.50	0.0	8.50	100.00	
1999	7.75	0.0	7.75	100.00	
2000	9.00	0.0	9.00	100.00	
2001	7.50	0.0	7.50	100.00	
2002	4.75	0.0	4.75	100.00	
2003	4.25	0.0	4.25	100.00	
2004	4.00	0.0	4.00	100.00	
2005	5.75	0.0	5.75	100.00	
2006	7.75	0.0 Repayment Period	7.75	27.11	
2007	8.25	0.0	8.25	28.11	
2008	5.25	0.0	5.25	22.63	
2009	3.25	0.0	3.25	19.47	
2010	3.25	0.0	3.25	19.47	
2011	3.25	0.0	3.25	19.47	

*This is a margin we have used recently.
**The initial ANNUAL PERCENTAGE RATE is discounted. It is not based on the index and margin used for later rate adjustments.

This table pertains to HELOC accounts with a credit limit increase after the introductory period.					
Year	Index (%)	Margin* (%)	Annual Percentage Rate (%)	Monthly Minimum Payment (\$)	
1997	8.50	0.0	8.50	100.00	
1998	8.50	0.0	8.50	100.00	
1999	7.75	0.0	7.75	100.00	
2000	9.00	0.0	9.00	100.00	
2001	7.50	0.0	7.50	100.00	
2002	4.75	0.0	4.75	100.00	
2003	4.25	0.0	4.25	100.00	
2004	4.00	0.0	4.00	100.00	
2005	5.75	0.0	5.75	100.00	
2006	7.75	0.0 Repayment Period	7.75	27.11	
2007	8.25	0.0	8.25	28.11	
2008	5.25	0.0	5.25	22.63	
2009	3.25	0.0	3.25	19.47	
2010	3.25	0.0	3.25	19.47	
2011	3.25	0.0	3.25	19.47	

*This is a margin we have used recently.

