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## Traditional Home Equity Line of Credit Predisclosure

### IMPORTANT TERMS OF OUR HOME EQUITY LINE OF CREDIT

This disclosure contains important information about your Home Equity Open-End 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 any of 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 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:

##### Termination and Acceleration

*For Wisconsin Borrowers Only:*

We can terminate the Home Equity Open-end Credit Plan and require you to pay us the entire outstanding balance in one payment and charge you certain fees if:

- (a) you fail to make a required payment when due two times within a twelve month period, or
- (b) your failure to observe the terms of this Plan materially impairs the condition, value, or protection of, or our rights in, the property securing this Plan

*For All Other Borrowers:*

We can terminate the Home Equity Open-end Credit Plan and require you to pay us the entire outstanding balance in one payment and charge you certain fees if:

- (a) you commit fraud or material misrepresentation at any time in connection with this Plan;
- (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.

##### Suspension or Reduction

*For All Borrowers:*

We can refuse to make additional extensions of credit or reduce your credit line if:

- (a) the value of your dwelling declines significantly below its appraised value for purposes of this Plan;
- (b) we reasonably believe that you will not be able to meet the repayment requirements due to a material change in your financial circumstances;
- (c) you are in default of a material obligation of this Plan;
- (d) government action prevents us from imposing the **ANNUAL PERCENTAGE RATE** provided for under this Plan or impairs our security interest such that the value of the interest is less than 120 percent of the credit line;
- (e) a regulatory agency has notified us that continued advances would constitute an unsafe and unsound practice;
- (f) the maximum **ANNUAL PERCENTAGE RATE** under this Plan is reached.
- (g) *For Wisconsin Borrowers Only:* you engage in fraud or material misrepresentation in connection with the Plan;
- (h) *For Wisconsin Borrowers Only:* upon our receipt of a notice of termination under Wis. Stat. 766.565(5).

##### Change in Terms

Our home equity credit agreement permits us to make certain changes to the terms of this Plan at specified times or upon the occurrence of specified events.

**Minimum Payment Requirements:** You can obtain credit advances for 10 years. This period is called the "draw period". At our option, we may renew or extend the draw period. After the draw period ends, the repayment period will begin.

You will be required to make monthly payments during both the draw and repayment periods. When you obtain a credit advance during the draw period, a payoff period of up to 360 months will be used to calculate your monthly payment in order to pay the loan in full on the maturity date. The amount of your monthly payment will be calculated based on the current interest rate, balance and remaining term and your monthly payment will be re-calculated accordingly. Your payment will change if you obtain another credit advance and/or if the **ANNUAL PERCENTAGE RATE** increases or decreases. At the time the draw period ends, your monthly payment will be based on the prevailing interest rate, remaining balance and will be calculated to pay the loan in full at the end of the repayment period. The payoff period will always be the shorter of the payoff period for your outstanding balance or the time remaining to the maturity date. Each time the **ANNUAL PERCENTAGE RATE** changes, we may adjust your payment to repay the balance within the remaining 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 amount of \$100.00, or the full amount that you owe.

**Negative Amortization:** Under some circumstances, your payments will not cover the finance charges that accrue and "negative amortization" will occur. If this occurs, your payment will be increased in an amount sufficient to cover the interest due.

**Lock Feature:** During the Draw Period, you may elect to "lock in" or convert a portion of your variable-rate outstanding balance to a fixed Annual Percentage Rate over a set term. Your fixed interest rate (which does not include costs other than interest) will be determined by the Credit Union by adding 1% above the fully indexed rate at the time you exercise this option. The minimum amount that may be locked is \$5,000 and the maximum term of the lock feature is 20 years. Depending on the rate and term chosen, an origination fee may apply to the balance of the locked portion and if so this fee will be disclosed at the time that the lock feature is exercised. The minimum payment requirement for the locked-in balance is equal to that amount required to repay the balance in equal periodic installments during the term selected. We will provide you with the new payment terms of the locked-in balance at the time you lock-in. Locking in will only fix the rate and term that applies to that portion of the existing balance selected; future advances will be subject to the variable rate feature according to the terms of the Plan. As the Locked balance is paid down, additional credit will become available, up to the applicable credit limit. The maximum number of times that the lock feature may be exercised is three. We reserve the right to discontinue this feature at any time without notice. If this feature is discontinued, the balances that have already been locked will continue to be locked at the rates and terms selected.

##### Minimum Payment Examples:

**Variable Rate Feature:** If you made only the minimum monthly payment and took no other credit advances, it would take 15 years to pay off a credit advance of \$10,000 at an **ANNUAL PERCENTAGE RATE** of 8.75%. During that period, you would make 120 monthly payments of \$100.00 followed by 59 payments of \$100.00, with a final payment of \$79.65.

**Lock Feature:** If you made only the minimum monthly payment and took no other credit advances, it would take 20 years to pay off a credit advance of \$10,000 at an **ANNUAL PERCENTAGE RATE** of 9.75%. During that period, you would make 239 payments of \$94.85 with a final payment of \$96.03.

**Fees and Charges:** To open and maintain an account, you must pay the following fees to us:

*Late Charges:* If your payment is more than 15 days late we may charge you 4% of the payment or \$18.00, whichever is greater.

*Non-Sufficient Funds Fee:* \$25.00

To open your account, you must pay certain fees to third parties such as appraisers, credit reporting firms, and government agencies. These fees generally total between \$250 - \$5,000. Upon request, we will provide you with an itemization of the fees you will have to pay to third parties.

**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.

**Automatic Payment Discount:** Your rate will be 0.25 percentage points lower than the initial rate disclosed if you authorize us to automatically deduct the minimum monthly payment from any Affinity Federal Credit Union account. We will do this on the payment due date shown on the monthly billing statement. If the balance in your Affinity Federal Credit Union account is not enough to cover this payment, we will notify you of this with a delinquency notice, and you will be obligated to pay at least the minimum amount shown on the payment due date. If, at any time during the term of this Agreement, the automatic payment authorization is cancelled, the interest rate charges on the Home Equity Line of Credit will increase by 0.25 percentage points and this new rate will become effective on the next full billing cycle after cancellation.

**Access to the Plan:** You may obtain advances under this Plan by mail, by telephone, in person, by check, or On-line Banking.

**Transaction Requirements:** There is no minimum requirement for initial advances. There is a minimum of \$500.00 for subsequent advances.

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

**Refundability of Fees:** If you decide not to enter into this Plan within three business days of receiving this disclosure and the handbook entitled "What You Should Know About Home Equity Lines of Credit," you are entitled to a refund of any fees you may have already paid.

**Variable Rate Feature:** This Plan has a variable rate and the **ANNUAL PERCENTAGE RATE** and corresponding periodic rate and minimum payment can change as a result. The **ANNUAL PERCENTAGE RATE** does not include costs other than interest.

The **ANNUAL PERCENTAGE RATE** is based on the value of an index. The index is the highest rate of interest identified as the 'Prime Rate' in the 'Money Rates' section of the Wall Street Journal. To determine the **ANNUAL PERCENTAGE RATE** that will apply to your account, we add a margin based on your creditworthiness, Loan-to-Value (LTV) Ratio, combined Loan-to-Value (LTV) Ratio, and loan amount to the value of the index and then round up to the nearest 0.125%.

Ask us for the current index value, margins and **ANNUAL PERCENTAGE RATES**. After you open an account, rate information will be provided on periodic statements that we send you.

**Rate Changes:** The **ANNUAL PERCENTAGE RATE** can change quarterly on the first of January, April, July, and October. There is no limit on the amount by which the **ANNUAL PERCENTAGE RATE** can change during any one year period. The **ANNUAL PERCENTAGE RATE** cannot increase by more than 6 percentage points above the initial fully indexed rate. The initial fully indexed rate is your initial index + margin before any discounted rate is applied. The minimum **ANNUAL PERCENTAGE RATE** that can apply during the plan is 3%.

**Maximum Rate and Payment Example:** 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 14.75% would be \$124.45. The maximum annual percentage rate during the draw period could be reached in the 1<sup>st</sup> month.

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 14.75% would be \$129.84. The maximum annual percentage rate during the repayment period could be reached in the 1<sup>st</sup> month.

**Prepayment:** You may prepay all or any amount owing under this Plan without penalty unless we have paid your third party fees. If we have paid your third party fees, then the "Waiver of Third Party Fees; Reimbursement" provision applies. Payment in full shall not terminate this agreement or cancel the security instrument securing this Plan unless you specifically request that we do so.

**Waiver of Third Party Fees; Reimbursement:** If made available to you, we may pay your closing costs. However, if you payoff your line and close your Plan within 36 months of opening the Plan, you must reimburse us in the amount of the fees paid by us. We may take this amount from your shares and deposits with the credit union, or add it to your outstanding balance, unless other payment arrangements are made. If added to your balance, this amount becomes secured by your Mortgage or Deed of Trust, and our lien will not be extinguished or the Mortgage or Deed of Trust released until all amounts are paid in full.

**Historical Example:** The following table shows how the 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 from the first Monday in November. If the first Monday is a holiday then the index values are from the first business day following that Monday.

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.

YEAR	INDEX (%)	MARGIN (1) (Percent)	ANNUAL PERCENTAGE RATE	MONTHLY PAYMENT (Dollars)
2009	3.25	0.25	3.50	\$100.00
2010	3.25	0.25	3.50	\$100.00
2011	3.25	0.25	3.50	\$100.00
2012	3.25	0.25	3.50	\$100.00
2013	3.25	0.25	3.50	\$100.00
2014	3.25	0.25	3.50	\$100.00
2015	3.25	0.25	3.50	\$100.00
2016	3.50	0.25	3.75	\$100.00
2017	4.25	0.25	4.50	\$100.00
2018	5.25	0.25	5.50	\$100.00
2019 (2)	4.75	0.25	5.00	
2020	3.25	0.25	3.50	
2021	3.25	0.25	3.50	
2022	7.00	0.25	7.25	
2023	8.50	0.25	8.75	

1. This is a margin we have used recently; your margin may be different and will be based on creditworthiness, LTV Ratio, combined LTV Ratio, and loan amount.
2. The repayment period begins in this year.