

# Important Terms of MSUFCU's SmartLine<sup>SM</sup> Home Equity Loan

This disclosure contains important information about our home equity line of credit — the Real Estate Secured Home Equity Loan Plan. You should read it carefully and keep a copy for your records.

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## Availability of Terms

The terms described below are subject to change. If these terms change (other than the **ANNUAL PERCENTAGE RATE (APR)** due to fluctuations in the prime rate index) and you decide, as a result, to not enter into an agreement with us, you are entitled to a refund of any fees you paid to us or 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 amend your line of credit plan and implement certain changes as specified in the SmartLine Home Equity Loan Plan Agreement. You may receive from us, upon request, information about the conditions under which such changes may occur. We can terminate your line of credit, 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 line of credit.
- (2) You do not meet repayment terms.
- (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) The value of the dwelling securing the line of credit declines significantly below its appraised value for purposes of the line of credit.
- (2) We reasonably believe that you will not be able to meet the repayment requirements due to a material change in your financial circumstances.
- (3) You are in default of a material obligation in the agreement.
- (4) Government action prevents us from imposing the annual percentage rate provided or impairs our security interest such that the value of the interest is less than 120% of the line of credit.
- (5) A regulatory agency has notified us that continued advances will constitute an unsafe and unsound practice.
- (6) The maximum annual percentage rate is reached.

## Minimum Payment Requirements

You can obtain credit advances for 15 years (the "draw period"). During the draw period, payments will be due monthly. There are two options for your monthly payments during the draw period.

- Under Option A, your minimum payment will be equal to 1.00% of the "new balance," rounded up to the nearest

whole \$10.00, but not less than \$20.00. The payment will not change until a subsequent advance is taken.

- Under Option B, your minimum payment will equal the approximate amount of interest that is due, rounded to the nearest whole \$10.00 or \$20.00, whichever is greater.

Under either option, the payments may not repay all of the finance charges that accrue and negative amortization may occur.

During the draw period, you may have the option to choose a fixed-rate segment. If you choose a fixed-rate segment, you will be required to pay principal and interest on each segment each month until the segment is repaid. Please see the Locking Segments section for additional information.

After the draw period ends, you will no longer be able to obtain credit advances and must pay the outstanding balance over 10 years (the "repayment period").

At the beginning of the repayment period, we will calculate your monthly payment based on your outstanding principal balance, including any past due amounts and all other charges. Your monthly payment will be set to repay the balance over 10 years at the then current **ANNUAL PERCENTAGE RATE**. Your monthly payment will be adjusted monthly to repay the outstanding balance over the remaining repayment term. Your monthly payment can change due to changes to the **ANNUAL PERCENTAGE RATE**.

## Minimum Payment Example

If you took a single \$10,000.00 advance and the **ANNUAL PERCENTAGE RATE** was 7.50% APR:

- Under Option A, it would take 13 years and 2 months to pay off the advance if you made only the minimum payments. During that period, you would make 157 payments of \$100.00 and one final payment of \$42.26.
- Under Option B, it would take 25 years to pay off the advance if you made only the minimum payments. During the 15-year draw period, you would make 180 payments of \$70.00. During the 10-year repayment period, you would make 120 payments of \$118.70.

## Fees and Charges

Should you stop payment on a loan check or electronic request drawn on your home equity loan account, a stop payment fee of \$25.00 will apply. A late fee of \$35.00 will apply if your payment is received seven days or more after the due date. You may also be required to pay certain fees to third parties to open this line of credit. These fees generally total between \$250 and \$750. Upon your request, we will provide an itemization of the fees you will have to pay to a third party. Also, you must maintain insurance on the property that secures the line of credit.

## Tax Deductibility

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

### Minimum Draw Requirement

The minimum credit advance that you can receive is \$250. Your total loan balance cannot exceed your credit limit as established by us.

### Negative Amortization

Under some circumstances (possible for either monthly payment option), 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 the equity in your home.

### Variable-Rate Information

The line of credit has a variable rate feature, and the **ANNUAL PERCENTAGE RATE** (corresponding to the daily periodic rate) and the minimum payment can change as a result.

The **ANNUAL PERCENTAGE RATE** includes only interest, not other costs.

The **ANNUAL PERCENTAGE RATE** is based on your credit score and the prime rate published in the *Wall Street Journal*. To determine the **ANNUAL PERCENTAGE RATE** that will apply to your line of credit, we subtract or add a margin to the value of the prime rate index.

Upon your request, we will provide you with the current prime rate index value, margin and **ANNUAL PERCENTAGE RATE**. If you open a line of credit, **ANNUAL PERCENTAGE RATE** information will be provided on periodic statements we send you.

### Rate Changes

The **ANNUAL PERCENTAGE RATE** can change monthly. The maximum **ANNUAL PERCENTAGE RATE** that can apply is 18% APR (the "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 you had an outstanding balance of \$10,000 during the draw period, the minimum monthly payment at the maximum **ANNUAL PERCENTAGE RATE** of 18% APR:

- Under Option A, the minimum monthly payment would be \$100.00.
- Under Option B, the minimum monthly payment would be \$160.00.

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 18% would be \$180.20.

This maximum **ANNUAL PERCENTAGE RATE** could be imposed within the first month of the draw period or the first month of the repayment period if the prime rate index and/or margin increase sufficiently.

### Locking Segments

During the draw period, you may request a fixed-rate segment. You may have up to three segments at one time per SmartLine Home Equity loan. Each segment must be a minimum of \$2,500. There is no fee for the first segment; however, you will be charged a \$25 fee for each subsequent segment. A fee of \$25 will apply to requests to reverse a segment. Segments can be fixed up to 15 years from Locking Segment loan date. Balances on segments reduce the availability on the line of credit. Payments made to segments replenish availability on the line of credit. Repayment terms of 12-180 months are available for fixed portions. If you choose to create a fixed-rate segment, the fixed interest rate will be determined based on your creditworthiness at the time your requested fixed-rate segment is approved.

### Historical Example of Variable Rate Changes

The following table shows how the **ANNUAL PERCENTAGE RATE** and the monthly payments for a single \$10,000 credit advance would have changed based on changes in the prime rate index over the last 15 years. The values are from January 1 of each year. While only one payment amount per year is shown, payments would have varied during each year. The values shown in the following tables are for Tier 1 rated members with credit scores of 720 or above.

| MINIMUM MONTHLY PAYMENT 70% LTV |                      |                               |                                      |  |   |
|---------------------------------|----------------------|-------------------------------|--------------------------------------|--|---|
| Year <sup>1</sup>               | Prime rate index (%) | Up to 70% Margin <sup>2</sup> | Up to 70% Annual Percentage Rate (%) | Option A Minimum Payment <sup>4</sup> (principal + interest) | Option B Minimum Payment <sup>5</sup> (interest only) |
| 2009                            | 3.25                 | -.25                          | 4.00 <sup>3</sup>                    | \$100  | \$40  |
| 2010                            | 3.25                 | -.25                          | 4.00 <sup>3</sup>                    | \$100  | \$40  |
| 2011                            | 3.25                 | -.25                          | 4.00 <sup>3</sup>                    | \$100  | \$40  |
| 2012                            | 3.25                 | -.25                          | 4.00 <sup>3</sup>                    | \$100  | \$40  |
| 2013                            | 3.25                 | -.25                          | 4.00 <sup>3</sup>                    | \$100  | \$40  |
| 2014                            | 3.25                 | +0.0                          | 3.25                                 | \$100  | \$30  |
| 2015                            | 3.25                 | +0.0                          | 3.25                                 | \$100  | \$30  |
| 2016                            | 3.50                 | +0.0                          | 3.50                                 | \$100  | \$30  |
| 2017                            | 3.75                 | +0.0                          | 3.75                                 | \$100  | \$40  |
| 2018                            | 4.50                 | +0.0                          | 4.50                                 | \$100  | \$40  |
| 2019                            | 5.50                 | +0.0                          | 5.50                                 | \$100  | \$50  |
| 2020                            | 4.75                 | +0.0                          | 4.75                                 | \$100  | \$40  |
| 2021                            | 3.25                 | +0.0                          | 3.25                                 | \$100  | \$30  |
| 2022                            | 3.25                 | +0.0                          | 3.25                                 | \$100  | \$30  |
| 2023                            | 7.50                 | +0.0                          | 7.50                                 | \$100  | \$70  |

<sup>1</sup> Rate stated reflects January 1 rate of year shown only. <sup>2</sup> Margin used in particular year. <sup>3</sup> Rate stated reflects Floor Rate. <sup>4</sup> Payment reflects 1% of the balance rounded up to the nearest whole 10 dollars. <sup>5</sup> Payment reflects approximate amount of interest that is due rounded up to the nearest whole 10 dollars. Additional options available include: 80% LTV and 90% LTV (loan-to-value).

