

IMPORTANT TERMS OF YOUR HOME EQUITY LINE OF CREDIT

This disclosure contains important information about Telco Community Credit Union's Home Equity Line of Credit. 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.

SECURITY INTEREST: We will take a mortgage on your home. You could lose your home if you do not meet the obligations of your agreement with us.

POSSIBLE ACTIONS: We can terminate your line, require immediate repayment in full of any outstanding balance in a single payment and charge you certain fees if:

- You engage in fraud or material misrepresentation in connection with the line of credit.
- You do not meet the repayment terms.
- 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:

- The value of the dwelling securing the line declines significantly below its appraised value for purposes of the line of credit.
- 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 impaired 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.
- The maximum ANNUAL PERCENTAGE RATE is reached.
- The home on which we filed our mortgage is no longer your residence.

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

TERMS: During the first 10 years of the 25 year loan term, your Telco Home Equity loan is a line of credit. You can obtain credit advances for ten (10) years (the "Draw Period"). At our option, we may review or extend the draw period. After the Draw Period ends, you will no longer be able to obtain credit advances and you must pay the outstanding balance on your account over the remaining fifteen (15) years (the "Repayment Period").

MINIMUM PAYMENT REQUIREMENTS: During the Draw Period, payments will be due monthly. Your minimum payment will be principal and interest payments based on a fifteen (15) year pay back, with a minimum payment of at least \$100.00. When the Draw Period ends, the "Repayment Period" commences and you will no longer be able to obtain credit advances. At that time, your minimum monthly

payments will be computed, at the beginning of the Repayment Period and each calendar quarter thereafter, to yield the level monthly payment amount necessary to fully amortize the outstanding balance over the remaining term at the current ANNUAL PERCENTAGE RATE.

MINIMUM PAYMENT EXAMPLES: If you took a single \$20,000 advance and the ANNUAL PERCENTAGE RATE was 5.00%, you would make principal and interest payments of \$158.16 during the ten (10) year Draw Period. When the Draw Period ends in ten (10) years the balance of \$8,392.70 would be your balance at the beginning of the Repayment Period. The Balance is then amortized based on the current rate each calendar quarter on the remaining fifteen (15) years, which at a 5.00% rate, would be \$100.00 (minimum payment requirement) for the remaining fifteen (15) years or until paid in full. With this example you would make 120 payments of \$158.16 and Repayment would be the minimum payment of \$100.00 until paid in full.

FEES AND CHARGES: To open and maintain a line of credit, you must pay us the fees that are checked below:

___ Origination Fee: 1.25% of the loan amount. This is deducted from the first draw.

___ Title Search Fee: \$100.00 - \$750.00, pending the loan amount. This is deducted from the first draw.

___ Recording Fee: \$56.00. This is deducted from the first draw.

___ Appraisal Fee: This fee generally totals between \$350.00 - \$400.00. You will be required to pay this at the time of the inspection.

MINIMUM LINE OF CREDIT: In order to open a Line of Credit you must be approved for a minimum credit line of \$5,000.00.

MINIMUM DRAW REQUIREMENTS: The minimum credit advance that you can receive is \$100.00.

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

VARIABLE-RATE FEATURE: The line 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 is based on the value of an index. The index is the highest Prime Rate published in the Wall Street Journal "Money Rates" Table. To determine the ANNUAL PERCENTAGE RATE that will apply to your line, we add a margin to the value of the index.

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

THERE IS A THREE (3) DAY WAITING PERIOD FOR ALL PRIMARY RESIDENCE MORTGAGES PRIOR TO MONEY BEING DISBURSED

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RATE CHANGES: The **ANNUAL PERCENTAGE RATE** can change quarterly on the first day of **January, April, July and October**. This rate will remain in effect until the following quarter. The **ANNUAL PERCENTAGE RATE** will be rounded upward to the nearest one-eighth of one percent. 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 be charged is **5.00%**. The rate cannot **INCREASE OR DECREASE** more than **2%** in any one quarter.

PREPAYMENT PENALTY: You may pay all or any part of your outstanding balance at any time without penalty.

MAXIMUM RATE AND PAYMENT EXAMPLES: If the **ANNUAL PERCENTAGE RATE** during the draw period equaled the **18%** maximum and you had an outstanding balance of \$20,000, your minimum monthly payment would be \$322.08. If you had an outstanding balance of \$20,000 during the repayment period, the minimum monthly payment at the maximum **ANNUAL PERCENTAGE RATE** of **18%** would be \$322.08. This **ANNUAL PERCENTAGE RATE** could be reached during the first month of the Draw Period and the first month of the Repayment Period.

PROPERTY INSURANCE: You must carry insurance on the property that secures this plan against any loss or damage to the collateral. If the property is located in a special flood hazard area you will be required to obtain flood insurance if it is available.

HISTORICAL EXAMPLE: The following table shows how the **ANNUAL PERCENTAGE RATE** and the monthly payments for a single \$20,000 credit advance would have changed based on changes in the index over the past 15 years. The index values for the Prime Rate are from July of each year. While only one payment amount per year is shown, payments could vary each quarter.

The table assumes that no additional credit advances were taken, that only the minimum principal and interest payments were made each month, and that the rate remained constant during each year. It does not necessarily indicate how the index or your payment will change in the future.

YEAR	INDEX %		MARGIN* %	ANNUAL PERCENTAGE RATE %	PRINCIPAL & INTEREST
1999	7.75		0.50	8.25	194.03
2000	9.50		0.50	10.00	214.92
2001	6.75		0.50	7.25	182.57
2002	4.75		0.50	5.25	160.78
2003	4.00		1.00	5.00	158.16
2004	4.25		0.50	5.05	158.16
2005	6.25		0.50	6.75	176.98
2006	8.25		0.50	8.75	199.89
2007	8.25		0.50	8.75	199.89
2008	5.00	DRAW PERIOD	0.50	5.50	163.42
2009	3.25	REPAYMENT PERIOD	1.75	5.00	158.16
2010	3.25		1.75	5.00	158.16
2011	3.25		1.75	5.00	158.16
2012	3.25		1.75	5.00	158.16
2013	3.25		1.75	5.00	159.16

*This is a margin we have used recently; your margin may be different.

THERE ARE TWO (2) PAGES TO THIS AGREEMENT, PLEASE READ ALL SECTIONS BEFORE SIGNING BELOW.

THIS NOTICE IS INTENDED FOR INFORMATION PURPOSES ONLY. IT IS NOT A COMMITMENT OR LOAN APPROVAL. IMPORTANT INFORMATION RELATING SPECIFICALLY TO YOUR LOAN WILL BE CONTAINED IN THE LOAN DOCUMENTS.

I acknowledge receipt of the disclosures set forth in "IMPORTANT TERMS OF OUR HOME EQUITY LINE OF CREDIT", and the brochure "What you should know about Home Equity Lines of Credit".

Dear Member:

Thank you for your interest in Telco's Home Equity Line of Credit. The following are some common questions which may be helpful in defining our home equity line of credit program.

EQUITY ACCESS QUESTIONS AND ANSWERS

Q. How much may I borrow?

A. It's a simple calculation:	<u>Example</u>	<u>Your Home</u>
Current Market Value:	\$50,000.00	\$ _____
Multiply:	x 80.00%	x 80.00%
Subtotal:	\$40,000.00	\$ _____
Subtract balance of 1 st mortgage:	<u>- \$20,000.00</u>	- \$ _____
Potential amount of available credit to you:	\$20,000.00	\$ _____

There is a minimum loan amount of \$5,000.00.

Q. What is the interest rate on this loan? Is it fixed or adjustable?

A. The rate is based on Wall Street Prime. The rate can adjust quarterly. The interest rate cannot be increased or decreased more than 2% per quarter, and cannot be more than 18% over the life of the loan.

Q. Is there an annual fee or transaction fee?

A. Telco currently does not charge an annual fee.

Q. What are the costs involved with Telco's Home Equity program?

A. There is an Origination Fee of 1.25% of the loan amount. This is deducted from the first draw.
A Title Fee of \$100.00. This is deducted from the first draw.
A Recording Fee of \$56.00. This is deducted from the first draw.
An Appraisal Fee. This fee generally totals between \$350.00 to \$400.00. You will be required to pay This at the time of the inspection.

Q. How long is the credit available?

A. You may draw on your line of credit for ten years. When the draw period ends, the loan payment becomes self-amortizing over the remaining loan term.

Q. What is the term of this loan?

A. The term of the loan is 25 years. This means you have a 10 year draw period and a 15 year repayment.

Q. How do you determine the payment amount?

A. The payment is based on your principal balance at the time of the last draw and is principal and interest payments based on the 15 year repayment. There is a minimum payment. So your payment will never be less than \$100.00 or the full amount you owe. We will round your payment up to the nearest dollar. Your payment will include any amounts past due and any amount by which you have exceeded your credit limit, and all other charges. We will recalculate your payment each time you obtain an advance.

Q. Are there interest rate caps?

A. YES. There is an annual interest rate cap of 2% and a lifetime ceiling of 18% and a floor of 5%.

Q. Is this loan tax deductible?

A. Generally, yes. However, you should consult your tax advisor for tax deductibility.