

LINCOLN MAINE FEDERAL CREDIT UNION

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IMPORTANT TERMS OF OUR HOME EQUITY LINE OF CREDIT

This disclosure contains important information about our 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 prior to the opening of your Home Equity account. If 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 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 terminate your credit line, require you to pay us the entire outstanding balance in one payment if:

- You engage in fraud or material misrepresentation in connection with the credit line.
- 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 credit 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.
- The maximum **Annual Percentage Rate** is reached.

Minimum Payment Requirements: You can obtain credit advances for 36 months (the draw period). If your account is renewed we may extend the draw period. During the draw period, payments will be due monthly. Your minimum monthly payment will be established at the time of each advance or change in interest rate at an amount equal to 1.50% your then outstanding account balance, subject to a minimum of \$50.00.

After the draw period ends and if this Agreement is not renewed you will no longer be able to obtain credit advances and you must repay the outstanding account balance (the repayment period). The length of the repayment period will depend on your outstanding account balance at the beginning of the repayment period. During the repayment period, minimum payments will be due monthly and will be calculated in the same manner as the draw period.

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 you owe us and reduce the equity in your home.

Minimum Payment Example: If you made only the minimum payment and took no other credit advances, it would take 15 years and 5 months to pay off a credit advance of \$10,000 at an **Annual Percentage Rate** of 5.50%. You would make 36 monthly payments varying between \$150.00 and \$103.97 during the draw period. You would then make 148 monthly payments varying between \$102.89 and \$50.00 during the repayment period. You would then make a final payment of \$32.87.

Third Party Fees: You might pay certain fees to third parties to open the Plan. These fees generally total between \$100.00 and \$500.00. If you ask, we will give you an itemization of the fees you may have to pay to third parties.

Late Charge: None

Minimum Draw Requirements: The minimum credit advance that you can receive is \$500.00.

Property Insurance: You must carry insurance on the property that secures this Plan. If the property is located in a Special Flood Hazard Area, you will be required to obtain flood insurance if it is available.

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

Variable-Rate Feature: This plan has a variable-rate feature, and the **Annual Percentage Rate** (corresponding to the periodic rate) and minimum payment can change as a result. The **Annual Percentage Rate** includes only interest and no other costs. The **Annual Percentage Rate** is based on the value of an index.

Description of Index: The index is the highest Prime Rate as published in *The Wall Street Journal*. When a range of rates has been published, the highest rate is used.

- Index and Margin.** 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. If more than one rate is published, the lowest rate will be used. To determine the **Annual Percentage Rate** that will apply to your Agreement, we add a margin to the value of the index and then round this figure to the nearest .25%. Ask us for the current index value, margin, and **Annual Percentage Rate**. After you open your credit line, rate information will be provided on monthly statements that we will send you.

B. **Rate Changes.** The **Annual Percentage Rate** can change on January 1st, April 1st, July 1st, and October 1st of each year. The maximum **Annual Percentage Rate** that can apply is 18%. The minimum **Annual Percentage Rate** that can apply is 3.75%. The rate will not increase or decrease more than 2% on any quarterly Change Date. Any increases or decreases not taken because of this 2% cap may be carried over to the next quarterly change date.

Source of Index: The index is published in the Money Rates section of *The Wall Street Journal*. If the index is no longer available, we will choose a new index which is based on comparable information. 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 value, margin, and **Annual Percentage Rate**. After you open a credit line, rate information will be provided on periodic statements that we send you.

Rate Changes: The **Annual Percentage Rate** can change quarterly. The maximum **Annual Percentage Rate** that can apply is 18.00% or the maximum allowed by law, whichever is less. The minimum **Annual Percentage Rate** is 3.75%.

Maximum Rate and Payment Examples: If you had an outstanding balance of \$10,000.00 at the beginning of the draw period, the maximum **Annual Percentage Rate** of 18.00%, the payment would be \$150.00. This **Annual Percentage Rate** could be reached after the first month of the draw period.

Historical Examples: The following table 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 over the last 15 years. The index values are from the first business day in January of each year. While only one payment amount per year is shown, payments would have varied slightly during the year.

The table assumes that no additional credit advances were taken, that only the minimum payment was made, and that the rate remained constant during each year. It **does not** necessarily indicate how your index, margin, **Annual Percentage Rate** or monthly payment would change in the future.

Year	Index (Percent)	Margin (1) (Percent)	ANNUAL PERCENTAGE RATE	Monthly Payment (Dollars)
2005	5.25	0.00	5.25	150.00
2006	7.25	0.00	7.25 (2)	131.95
2007	8.25	0.00	8.25	118.45
2008	7.25	0.00	7.25 (2)	107.40
2009	3.25	0.00	5.25 (3)	96.41
2010	3.25	0.00	3.75 (3)	83.53
2011	3.25	0.00	3.75 (3)	72.38
2012	3.25	0.00	3.75 (3)	62.71
2013	3.25	0.00	3.75 (3)	54.34
2014	3.25	0.00	3.75 (3)	50.00
2015	3.25	0.00	3.75 (3)	50.00
2016	3.50	0.00	3.75	50.00
2017	3.75	0.00	4.00	50.00
2018	4.50	0.00	4.50	50.00
2019	5.50	0.00	5.50	50.00

(1) This is a margin we have used recently. Your margin may be different.

(2) This rate represents the 2% quarterly rate cap.

(3) The rate represents the minimum rate limitation of 3.75%.