

NESC Federal Credit Union
248 Pleasant Street
Methuen, Massachusetts 01844

HOME EQUITY EARLY DISCLOSURE

Borrower Name(s): _____

Account Number: _____

IMPORTANT TERMS OF OUR HOME EQUITY LINE OF CREDIT LOAN

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. 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 that you pay 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. **YOU SHOULD CHECK WITH YOUR LEGAL ADVISOR AND WITH OTHER MORTGAGE LIEN HOLDERS AS TO WHETHER ANY PRIOR LIENS CONTAIN ACCELERATION CLAUSES WHICH WOULD BE ACTIVATED BY A JUNIOR MORTGAGE.**

POSSIBLE ACTIONS: We can terminate your line and 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; (2) you do not meet the repayment terms, or (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, or both, if (1) any reasons mentioned above exist; (2) the value of the dwelling securing the line declines significantly below its appraised value for purposes of the line; (3) we reasonably believe that you will not be able to meet the repayment requirements due to a material change in your financial circumstances; (4) you are in default of a material obligation of the agreement; (5) government action prevents us from imposing the annual percentage rate provided for or impairs the priority of our security interest such that the value of the interest is less than 120 percent of the credit line; (6) the maximum annual percentage rate is reached; (7) the creditor is notified by its regulatory agency that continued advances constitute an unsafe and unsound practice.

The initial Agreement permits us to make changes to the terms of the Agreement 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. During the draw period your payment will be due monthly and will equal the finance charges (interest) that accrued on the outstanding balance during the preceding month.

After the draw period ends the repayment period will begin. The length of the repayment period will be 10 years. At the beginning of the repayment period we will amortize your outstanding balance at the current annual percentage rate over 120 months. Your payment will include any amounts past due and any amount by which you have exceeded your credit limit, and all other charges.

The total length of the loan is 20 years.

MINIMUM PAYMENT EXAMPLE: If you made only the minimum monthly payment and took no other advances, it would take 15 years to pay off a credit advance of \$10,000 at an **ANNUAL PERCENTAGE RATE** of 4.00%. During that period, you would make 108 payments of \$30.68 to \$33.97, followed by 71 payments of \$73.97 and a final balloon payment of \$6,773.84.

FEES AND CHARGES: You may also be required to pay certain fees to third parties (such as appraisers, credit reporting firms, and government agencies) to open a line. These fees generally total between \$400.00 and \$800.00. If you ask, we will give you an itemization of the fees you will have to pay to third parties. In New York, the title insurance premium (if applicable) and mortgage recording tax will be based on the maximum amount of the credit line available to you, regardless of how much is advanced to you at any time. If you engage a broker to arrange a line of credit for you, you may be charged fees by the broker for his/her services.

FEE REIMBURSEMENT: NESC Federal Credit Union may pay the third party fees for you. However, if you request an amendment to your loan (i.e. increase your credit line), request a refinance or close your loan within 24 months of the opening date, you will have to reimburse NESC Federal Credit Union for all fees paid on your behalf.

PROPERTY INSURANCE: In addition to these fees and charges, you must carry insurance (including, without limitation flood insurance if required) on the property that secures the line. You may select the insurance company or agent of your choice, provided the insurance company and coverage meet our requirements.

REFUNDABILITY OF FEES: If you decide not to enter into this loan within three days of receiving this disclosure and the home equity brochure, you are entitled to a refund of any fee you may have already paid.

TRANSACTION REQUIREMENTS: The minimum credit advance that you can receive is \$0.00 for the first advance and \$1,000.00 for each subsequent advance.

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

VARIABLE RATE FEATURE: This loan 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 includes only interest and no other costs.

The annual percentage rate is based on the value of an index. The index is the highest Prime Rate published in the Money Rates table of the Wall Street Journal as of the first business day of the calendar month. To determine the annual percentage rate that will apply to your line, we add or subtract a margin to the value of the index. The margin that will apply will be based on your creditworthiness. When a range of rates has been published the highest rate will be used. We will use the most recent index value available to us as of 1 day before the date of any annual percentage rate adjustment.

Ask us for the current index value, margins, discount and annual percentage rates. Margins vary depending on combined loan to value ratios, underwriting criteria and certain account features. 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 monthly. The rate cannot increase or decrease more than 10 percentage points in any one year period. The **ANNUAL PERCENTAGE RATE** cannot increase more than 18.000 percentage points above the initial rate or the maximum permitted by law, whichever is less. The **ANNUAL PERCENTAGE RATE** cannot decrease more than 0 percentage points below the initial rate. However, under no circumstances will your **ANNUAL PERCENTAGE RATE** go below 1.000% at any time during the term of the loan. Ask us for the specific rate limitations that will apply to your credit line.

MAXIMUM RATE AND PAYMENT EXAMPLES: This payment example is based on a credit limit of \$10,000.00. If you had an outstanding balance of \$10,000 during the draw period, the minimum payment at the maximum **ANNUAL PERCENTAGE RATE** of 18% would be \$152.88. This annual percentage rate could be reached at the time of the 61st payment during the draw period.

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 \$161.11, with a final balloon payment of \$8,750.31. This annual percentage rate could be reached during the first month of the repayment period.

HISTORICAL EXAMPLE: The following table shows how the annual percentage rate and the minimum monthly payments for a single credit advance of \$10,000 would have changed based on changes in the index over the past 15 years. The index values are from the first business day of January of each year. While only one payment per year is shown, payments may have varied during each year.

The table assumes a single credit advance of \$10,000.00, and that no additional credit advances were taken, and that interest-only minimum payments were made, and that the rate remained constant during each year. It does not necessarily indicate how the index or your payments will change in the future.

WALL STREET JOURNAL PRIME RATE INDEX TABLE

Year (as of the first business day of January each year)	Index (Percent)	Margin ⁽¹⁾ (Percent)	ANNUAL PERCENTAGE RATE	Monthly Payment ⁽⁴⁾ (Dollars)
2008	7.250	-0.25	7.000	58.33
2009	3.250	-0.25	3.000	25.00
2010	3.250	-0.25	3.000	25.00
2011	3.250	-0.25	3.000	25.00
2012	3.250	-0.25	3.000	25.00
2013	3.250	-0.25	3.000	25.00
2014	3.250	-0.25	3.000	25.00
2015	3.250	-0.25	3.000	95.56
2016	3.500	-0.25	3.250	97.72
2017	3.750	-0.25	3.500 ⁽²⁾	98.89
2018	4.500	-0.25	4.250	102.44
2019	5.500	-0.25	5.250	107.29
2020	4.500	-0.25	4.250	102.44
2021	3.250	-0.25	3.000	95.56
2022	3.250	-0.25	3.000	95.56

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

⁽²⁾ The Repayment Period begins this Year

By signing below, you hereby acknowledge receipt of this "Important Terms of Our Home Equity Line of Credit" Disclosure and a copy of the Home Equity Booklet, "What you should know about Home Equity Lines of Credit," on the date indicated next to your signature.