IMPORTANT TERMS OF OUR HOME EQUITY LINE OF CREDIT

This disclosure contains important information about our Home Equity Line(s) of 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 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 have paid to us or anyone else in connection with your application.

SECURITY INTEREST. We will take a security interest in your home. You could lose your home if you do not meet the obligations in your agreement with us.

POSSIBLE ACTIONS. Under this Plan, we have the following rights:

Termination and Acceleration. Under certain circumstances, we can terminate your line of credit, require you to pay the entire outstanding balance in one payment, and charge you certain fees upon termination, if any of the following happens:

a. You commit fraud or make a material misrepresentation at any time in connection with the Plan. This can include, for example, a false statement about your income, assets, liabilities, or any other aspect of your financial condition.
b. You do not meet the repayment terms of the Plan.
c. Your action or inaction adversely affects the collateral for the Plan or our rights in the collateral. This can include, for example, failure to maintain required insurance, waste or destructive use of the dwelling, failure to pay taxes, death of all persons liable on the account, transfer of title or sale of the dwelling, creation of a senior lien on the dwelling without our permission, foreclosure by the holder of another lien or the use of funds or the dwelling for prohibited purposes.

Suspension or Reduction. In addition to any other rights we may have, we can suspend additional extensions of credit or reduce your credit limit during any period in which any of the following are in effect:

a. The value of your dwelling declines significantly below the dwelling's appraised value for purposes of the Plan, This includes, for example, a decline such that the initial difference between the credit limit and the available equity is reduced by fifty percent and may include a smaller decline depending on the individual circumstances.
b. We reasonably believe that you will be unable to fulfill you payment obligation under the Plan due to a material change in your financial circumstances.
c. You are in default under any material obligation of the Plan. We consider all of our obligations to be material. Categories of material obligations include, but are not limited tom, the events described above under Termination and Acceleration, obligations to pay fees and charges, obligations and limitation on the receipt of credit advances, obligations concerning maintenance or use of the dwelling or proceeds, obligations to pay and perform the terms of any other deed of trust, mortgage or lease of the dwelling, obligation to notify us and to provide documents or information to us (such as updated financial information), obligations to comply with applicable laws (such as zoning restrictions).
d. We are precluded by government action from imposing the ANNUAL PERCENTAGE RATE provided for under the Plan.
e. The priority of our security interest is adversely affected by government action to the extent that the value of the security interest is less than 120 percent of the credit limit.
f. We have been notified by governmental authority that continued advances may constitute an unsafe and unsound business practice.
g. The maximum annual percentage rate under the Plan is reached.

CHANGE IN TERMS. We may make changes to the terms of the Plan if you agree to the change in writing at that time, if the change will unequivocally benefit you through the remainder of the Plan, or if the change is insignificant (such as changes relating to our data processing systems).

FEES AND CHARGES. In order to open and maintain an account you must pay fees and charges.

Lender Fees. The following fees must be paid to us

Description	Amount	When Charged
Loan Fee:	$500.00	At Account-Opening
Flood (Life of Loan):	$4.00	At Account-Opening
Return Item	$24.00	After Account-Opening, When A Check Or Other Item Is Returned
Stop Payment	$18.00	After Account-Opening, When A Stop Payment Is Requested

Late Charge. Your payment will be late if it is not received by us within 15 days after the "Payment Due Date" shown on your periodic statement. If your payment is late we may charge you 5.000% of the unpaid amount of the payment.

Third Party Fees. You must pay certain fees to third parties such as appraisers, credit reporting firms, and government agencies.

We also will pass on any third party charges as part of an annual review of your account in amounts estimated to be similar to those disclosed below. These third party fees generally total between $10.00 and $2,000.00. If you ask, 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 the Plan.

MINIMUM PAYMENT REQUIREMENTS. Citizens Tri-County Bank provides two Plans with different types of payment methods. The payment methods are established based on your credit score and the ratio between the value of your home and the credit line amount. The two payment methods are: (1) Monthly payment of interest-only or $50.00, whichever is greater and (2) monthly payment of 1.500% of the credit line balance or $50.00, whichever is greater. Below, and within the next two pages, describes how these two payment methods operate.

(1) **Payment Method: Interest-Only**. Under this payment method, your payments will be due monthly and will equal the Finance CHARGES that accrued on the outstanding balance during the previous month. You can obtain advances or credit during the

following period: 120 months (the “Draw Period”). Your Regular Payment will equal the amount of your accrued FINANCE CHARGES or $50.00, which ever is greater. You will make 119 of these payments. You will then be required to pay the entire balance owing in a single balloon payment. If you make only the minimum payments, you may not repay the entire balance owing in a single balloon payment. If you make only the minimum payments, you may not repay the entire balance owing by the end of the payment stream of 120 months. Your payments will be due monthly. Your “Minimum Payment” will be the Regular Payment, plus any amount past due and all other charges. An increase in the ANNUAL PERCENTAGE RATE may increase the amount of your Regular Payment.

A change in the ANNUAL PERCENTAGE RATE may or may not cause the balance to be repaid more quickly or more slowly under this payment method. When an ANNUAL PERCENTAGE RATE increases or decreases under the payment method, the monthly minimum payment will increase or decrease based on the change in the ANNUAL PERCENTAGE RATE and its effect on interest from the previous month (accrued FINANCE CHARGES), yet the balance will not change. For instance, if an ANNUAL PERCENTAGE RATE increases, your monthly minimum payment will be increased by an amount sufficient to pay all accrued FINANCE CHARGES at the new ANNUAL PERCENTAGE RATE in the previous month, but the balance will not change. There would be an exception though if the accrued FINANCE CHARGES of the previous month is less than $50, whereupon the minimum monthly payment of the following month would be $50, which would cause the balance to decrease because the monthly payment exceeds the accrued FINANCE CHARGES.

In any event, if your Credit Line balance falls below $50.00, you agree to pay your balance in full.

Minimum Payment Example For Interest-Only Payment Method. If you made only the minimum payment and took no other credit advanced, it would take 10 years to pay off a credit advance of $10,000.00 at an ANNUAL PERCENTAGE RATE of 5.00%. During that period, you would make 119 monthly payments of $50.00 and one final payment of $8,755.94.

(2) **Payment Method: 1.500% Of The Credit Line Balance**. Under this payment method, your payments will be due monthly and will equal 1.5000% of the outstanding balance on your line plus FINANCE CHARGES that accrued during the previous month. You can obtain advances or credit during the following period: 120 months (the “Draw Period”). Your Regular Payment will be based on a 1.500% of your outstanding balance or $50.00, which ever is greater. You will make 119 of these payments. You will then be required to pay the entire balance owing in a single balloon payment. If you make only the minimum payments, you may not repay the entire balance owing in a single balloon payment. If you make only the minimum payments, you may not repay the entire balance owing by the end of the payment stream of 120 months. Your payments will be due monthly. Your “Minimum Payment” will be the Regular Payment, plus any amount past due and all their charges. An increase in the ANNUAL PERCENTAGE RATE may increase the amount of your Regular Payment.

A change in the ANNUAL PERCENTAGE RATE may cause the balance to be repaid more quickly or more slowly under this payment method. When you make a minimum monthly payment that exceeds the accrued FINANCE CHARGES of the previous month, the rate at which the balance is repaid is affected by a change in the ANNUAL PERCENTAGE RATE. For instance, when an ANNUAL PERCENTAGE RATE increases, more interest is due, so less of the monthly payment repays the principal balance of your credit line (as more of the monthly payment is repaying the FINANCE CHARGES that have accrued at the increased ANNUAL PERCENTAGE RATE from the previous month). Likewise, whereupon the minimum monthly payment of the following month would be $50 because the accrued Finance Charges of the previous month are less than $50, the balance would decrease because the monthly payment of $50 exceeds the accrued FINANCE CHARGES of the previous month.

Minimum Payment Example For 1.50% Of The Credit Line Balance Payment Method. If you made only the minimum payment and took no other credit advanced, it would take 10 years to pay off a credit advance of $10,000.00 at an ANNUAL PERCENTAGE RATE of 5.00%. During that period, you would make 119 monthly payments ranging from $50.00 through $150.00 and one final payment of $2,904.30.

MAXIMUM RATE AND PAYMENT EXAMPLE. If you had an outstanding balance of $10,000.00 at the maximum ANNUAL PERCENTAGE RATE of 24.000%:

- Under the “interest-only” payment method, the minimum monthly payment would be $200.00
- Under the “1.500% Of The Credit Line Balance” payment method**,** the minimum monthly payment would be $150.00. Under this payment method, the minimum payment may not be sufficient to cover the interest that accrues on the outstanding balance and negative amortization may occur. Negative amortization increases the principal balance and reduces the equity in your dwelling. For example, if the ANNUAL PERCENTAGE RATE were to exceed 18.000% during one or more monthly periods, negative amortization would occur if you only paid the minimum monthly payment of $150.00.

This ANNUAL PERCENTAGE RATE could be reached during the first month of the draw payment (prior to the first payment).

TRANSACTION REQUIREMENTS. The following transactions limitation will apply to the use of your Credit Line:

Credits Line “Ready Line” Checks, In Person Requests and Telephone Request Limitations. The following transaction limitations will apply to your Credit Line and the writing of “Ready Line” checks, requesting an advance in person, and requesting an advance by telephone: You may not exceed the credit limit of your account. We may not honor a Ready Line check if your Ready Line checks have been reported lost or stolen, if you write a post-dated Ready Line check, if your Ready Line check has not been signed by an authorized signer, of if your credit line has been terminated or suspended.

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

VARIABLE RATE FEATURE. The Plan has a variable rate feature. The ANNUAL PERCENTAGE RATE (corresponding to the periodic rate), and the minimum payment amount can change as a result. The ANNUAL PERCENTAGE RATE does not include costs other than interest.

THE INDEX. The ANNUAL PERCENTAGE RATE is based on the value of an Index (referred to in the disclosures as the “Index”). The Index is the Highest Prime Rate published in Wall Street Journal. Information about the Index is available or published in the Wall Street Journal. We will use the most recent index value available to us as of the date of an ANNUAL PERCENTAGE RATE adjustment. If the Index is no longer available, we will choose a new index and margin. The new Index will have an historical movement substantially similar to the original Index, and the new Index and margin will result in an ANNUAL PERCENTAGE RATE that is substantially similar to the rate in effect at the time the original Index becomes unavailable.

ANNUAL PERCENTAGE RATE. To determine the Periodic Rate that will apply to your credit line, we add a margin to the value of the Index, and then divide the value by the number of days in a year (daily). To obtain the ANNUAL PERCENTAGE RATE we multiply the Periodic Rae by the number of days in a year (daily). This result is the ANNUAL PERCENTAGE RATE. A change in the Index rate generally will result in a change in the ANNUAL PERCENTAGE RATE.

The amount that your ANNUAL PERCENTAGE RATE may change also may be affected by the lifetime ANNUAL PERCENTAGE RATE limits, as discussed on the next page.

Please ask us for the current Index value, margin, discount and ANNUAL PERCENTAGE RATE. After you open a credit line, rate information will be provided on periodic statements that we send to you.

FREQUENCY AND LIMITS OF ANNUAL PERCENTAGE RATE ADJUSTMENTS. Your ANNUAL PERCENTAGE RATE can change daily. There is no limit on the amount by which the ANNUAL PERCENTAGE RATE can change during any one year period. However, under no circumstances will your ANNUAL PERCENTAGE RATE exceed 24.000% per annum or go below 5.000% per annum at any time during the term of the Plan in future ANNUAL PERCENTAGE RATE adjustments.

PREPAYMENT. You may prepay all or any amount owning under the Plan at any time without penalty.

HISTORICAL EXAMPLES. The examples on this page show 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 the past 15 years. The Index values are from the following reference period as of the 1st week of January. While only one payment per year is shown, payments may have varied during each year. Different outstanding principal balances could result in different payment amounts.

The tables assume that no additional credit advances were taken, that only the minimum payment was made, and that the rate remained constant during the year. It does not necessarily indicate how the Index or your payments would change in the future.

These two tables reflect the two types of payment methods that are based on your credit score and the ratio between the value of your home or other dwelling and the credit line amount, (1) payment of interest-only and (2) payment of 1.500% of the credit line balance. If the payment determined under any option is less than $50.00, the minimum payment will equal $50.00.

Monthly Payment Method: Interest-Only				
Year	Index (%)	Margin* (%)	ANNUAL PERCENTAGE RATE** (%)	Minimum Monthly Payment ($)
2002	4.750	1.500	6.250	52.08
2003	4.250	1.500	5.750	50.00
2004	4.000	1.500	5.500	50.00
2005	5.250	1.500	6.750	56.25
2006	7.250	1.500	8.750	72.92
2007	8.250	1.500	9.750	81.25
2008	7.250	1.500	8.750	72.92
2009	3.250	1.500	4.750	50.00
2010	3.250	1.500	4.750	50.00
2011	3.250	1.500	4.750	50.00
2012	3.250	1.500	4.750	50.00
2013	3.250	1.500	4.750	50.00
2014	3.250	1.500	4.750	50.00
2015	3.250	1.500	4.750	50.00
2016	3.500	1.500	5.000	50.00

*This is a margin we have used recently; your margin may be different.
** This ANNUAL PERCENTAGE RATE does not reflect the rate floor should the index change in the future.

Monthly Payment Method: 1.500% Of The Credit Line Balance				
Year	Index (%)	Margin* (%)	ANNUAL PERCENTAGE RATE** (%)	Minimum Monthly Payment ($)
2002	4.750	1.500	6.250	150.00
2003	4.250	1.500	5.750	150.00
2004	4.000	1.500	5.500	150.00
2005	5.250	1.500	6.750	150.00
2006	7.250	1.500	8.750	150.00
2007	8.250	1.500	9.750	150.00
2008	7.250	1.500	8.750	150.00
2009	3.250	1.500	4.750	150.00
2010	3.250	1.500	4.750	150.00
2011	3.250	1.500	4.750	150.00
2012	3.250	1.500	4.750	150.00
2013	3.250	1.500	4.750	150.00
2014	3.250	1.500	4.750	150.00
2015	3.250	1.500	4.750	150.00
2016	3.500	1.500	5.000	150.00

*This is a margin we have used recently; your margin may be different.
** This ANNUAL PERCENTAGE RATE does not reflect the rate floor should the index change in the future.

ACKNOWLEDGMENT

I/we acknowledge receipt of this disclosure *Important Terms Of Our Home Equity Line Of Credit* on the date indicated below. I/we also acknowledge receipt of the *What You Should Know About Home Equity Lines Of Credit* handbook on the date indicated below.

SIGNATURE SIGNATURE

DATE DATE

IMPORTANT TERMS OF OUR HOME EQUITY LINE OF CREDIT

This disclosure contains important information about our Home Equity Line of 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 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 have paid to us or anyone else in connection with your application.

SECURITY INTEREST. We will take a security interest in your home. You could lose your home if you do not meet the obligations in your agreement with us.

POSSIBLE ACTIONS. Under this Plan, we have the following rights:

Termination and Acceleration. Under certain circumstances, we can terminate your line of credit, require you to pay the entire outstanding balance in one payment, and charge you certain fees upon termination, if any of the following happens:

d. You commit fraud or make a material misrepresentation at any time in connection with the Plan. This can include, for example, a false statement about your income, assets, liabilities, or any other aspect of your financial condition.
e. You do not meet the repayment terms of the Plan.
f. Your action or inaction adversely affects the collateral for the Plan or our rights in the collateral. This can include, for example, failure to maintain required insurance, waste or destructive use of the dwelling, failure to pay taxes, death of all persons liable on the account, transfer of title or sale of the dwelling, creation of a senior lien on the dwelling without our permission, foreclosure by the holder of another lien or the use of funds or the dwelling for prohibited purposes.

Suspension or Reduction. In addition to any other rights we may have, we can suspend additional extensions of credit or reduce your credit limit during any period in which any of the following are in effect:

h. The value of your dwelling declines significantly below the dwelling's appraised value for purposes of the Plan, This includes, for example, a decline such that the initial difference between the credit limit and the available equity is reduced by fifty percent and may include a smaller decline depending on the individual circumstances.
i. We reasonably believe that you will be unable to fulfill you payment obligation under the Plan due to a material change in your financial circumstances.
j. You are in default under any material obligation of the Plan. We consider all of our obligations to be material. Categories of material obligations include, but are not limited tom, the events described above under Termination and Acceleration, obligations to pay fees and charges, obligations and limitation on the receipt of credit advances, obligations concerning maintenance or use of the dwelling or proceeds, obligations to pay and perform the terms of any other deed of trust, mortgage or lease of the dwelling, obligation to notify us and to provide documents or information to us (such as updated financial information), obligations to comply with applicable laws (such as zoning restrictions).
k. We are precluded by government action from imposing the ANNUAL PERCENTAGE RATE provided for under the Plan.
l. The priority of our security interest is adversely affected by government action to the extent that the value of the security interest is less than 120 percent of the credit limit.
m. We have been notified by governmental authority that continued advances may constitute an unsafe and unsound business practice.
n. The maximum annual percentage rate under the Plan is reached.

CHANGE IN TERMS. We may make changes to the terms of the Plan if you agree to the change in writing at that time, if the change will unequivocally benefit you through the remainder of the Plan, or if the change is insignificant (such as changes relating to our data processing systems).

FEES AND CHARGES. In order to open and maintain an account you must pay fees and charges.

Lender Fees. The following fees must be paid to us

Description	**Amount**	**When Charged**
Loan Fee:	$500.00	At Account-Opening
Flood (Life of Loan):	$4.00	At Account-Opening
Return Item	$24.00	After Account-Opening, When A Check Or Other Item Is Returned
Stop Payment	$18.00	After Account-Opening, When A Stop Payment Is Requested

Late Charge. Your payment will be late if it is not received by us within 15 days after the "Payment Due Date" shown on your periodic statement. If your payment is late we may charge you 5.000% of the unpaid amount of the payment.

Third Party Fees. You must pay certain fees to third parties such as appraisers, credit reporting firms, and government agencies.

We also will pass on any third party charges as part of an annual review of your account in amounts estimated to be similar to those disclosed below. These third party fees generally total between $10.00 and $2,000.00. If you ask, 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 the Plan.

MINIMUM PAYMENT REQUIREMENTS. Citizens Tri-County Bank provides two Plans with different types of payment methods. The payment methods are established based on your credit score and the ratio between the value of your home and the credit line amount. The two payment methods are: (1) Monthly payment of interest-only or $50.00, whichever is greater and (2) monthly payment of 1.500% of the credit line balance or $50.00, whichever is greater. Below, and within the next two pages, describes how these two payment methods operate.

(2) **Payment Method: Interest-Only**. Under this payment method, your payments will be due monthly and will equal the Finance CHARGES that accrued on the outstanding balance during the previous month. You can obtain advances or credit during the

following period: 120 months (the "Draw Period"). Your Regular Payment will equal the amount of your accrued FINANCE CHARGES or $50.00, which ever is greater. You will make 119 of these payments. You will then be required to pay the entire balance owing in a single balloon payment. If you make only the minimum payments, you may not repay the entire balance owing in a single balloon payment. If you make only the minimum payments, you may not repay the entire balance owing by the end of the payment stream of 120 months. Your payments will be due monthly. Your "Minimum Payment" will be the Regular Payment, plus any amount past due and all other charges. An increase in the ANNUAL PERCENTAGE RATE may increase the amount of your Regular Payment.

A change in the ANNUAL PERCENTAGE RATE may or may not cause the balance to be repaid more quickly or more slowly under this payment method. When an ANNUAL PERCENTAGE RATE increases or decreases under the payment method, the monthly minimum payment will increase or decrease based on the change in the ANNUAL PERCENTAGE RATE and its effect on interest from the previous month (accrued FINANCE CHARGES), yet the balance will not change. For instance, if an ANNUAL PERCENTAGE RATE increases, your monthly minimum payment will be increased by an amount sufficient to pay all accrued FINANCE CHARGES at the new ANNUAL PERCENTAGE RATE in the previous month, but the balance will not change. There would be an exception though if the accrued FINANCE CHARGES of the previous month is less than $50, whereupon the minimum monthly payment of the following month would be $50, which would cause the balance to decrease because the monthly payment exceeds the accrued FINANCE CHARGES.

In any event, if your Credit Line balance falls below $50.00, you agree to pay your balance in full.

Minimum Payment Example For Interest-Only Payment Method. If you made only the minimum payment and took no other credit advanced, it would take 10 years to pay off a credit advance of $10,000.00 at an ANNUAL PERCENTAGE RATE of 5.00%. During that period, you would make 119 monthly payments of $50.00 and one final payment of $8,755.94.

(2) **Payment Method: 1.500% Of The Credit Line Balance**. Under this payment method, your payments will be due monthly and will equal 1.5000% of the outstanding balance on your line plus FINANCE CHARGES that accrued during the previous month. You can obtain advances or credit during the following period: 120 months (the "Draw Period"). Your Regular Payment will be based on a 1.500% of your outstanding balance or $50.00, which ever is greater. You will make 119 of these payments. You will then be required to pay the entire balance owing in a single balloon payment. If you make only the minimum payments, you may not repay the entire balance owing in a single balloon payment. If you make only the minimum payments, you may not repay the entire balance owing by the end of the payment stream of 120 months. Your payments will be due monthly. Your "Minimum Payment" will be the Regular Payment, plus any amount past due and all their charges. An increase in the ANNUAL PERCENTAGE RATE may increase the amount of your Regular Payment.

A change in the ANNUAL PERCENTAGE RATE may cause the balance to be repaid more quickly or more slowly under this payment method. When you make a minimum monthly payment that exceeds the accrued FINANCE CHARGES of the previous month, the rate at which the balance is repaid is affected by a change in the ANNUAL PERCENTAGE RATE. For instance, when an ANNUAL PERCENTAGE RATE increases, more interest is due, so less of the monthly payment repays the principal balance of your credit line (as more of the monthly payment is repaying the FINANCE CHARGES that have accrued at the increased ANNUAL PERCENTAGE RATE from the previous month). Likewise, whereupon the minimum monthly payment of the following month would be $50 because the accrued Finance Charges of the previous month are less than $50, the balance would decrease because the monthly payment of $50 exceeds the accrued FINANCE CHARGES of the previous month.

Minimum Payment Example For 1.50% Of The Credit Line Balance Payment Method. If you made only the minimum payment and took no other credit advanced, it would take 10 years to pay off a credit advance of $10,000.00 at an ANNUAL PERCENTAGE RATE of 5.00%. During that period, you would make 119 monthly payments ranging from $50.00 through $150.00 and one final payment of $2,904.30.

MAXIMUM RATE AND PAYMENT EXAMPLE. If you had an outstanding balance of $10,000.00 at the maximum ANNUAL PERCENTAGE RATE of 24.000%:

- Under the "interest-only" payment method, the minimum monthly payment would be $200.00
- Under the "1.500% Of The Credit Line Balance" payment method**,** the minimum monthly payment would be $150.00. Under this payment method, the minimum payment may not be sufficient to cover the interest that accrues on the outstanding balance and negative amortization may occur. Negative amortization increases the principal balance and reduces the equity in your dwelling. For example, if the ANNUAL PERCENTAGE RATE were to exceed 18.000% during one or more monthly periods, negative amortization would occur if you only paid the minimum monthly payment of $150.00.

This ANNUAL PERCENTAGE RATE could be reached during the first month of the draw payment (prior to the first payment).

TRANSACTION REQUIREMENTS. The following transactions limitation will apply to the use of your Credit Line:

Credits Line "Ready Line" Checks, In Person Requests and Telephone Request Limitations. The following transaction limitations will apply to your Credit Line and the writing of "Ready Line" checks, requesting an advance in person, and requesting an advance by telephone: You may not exceed the credit limit of your account. We may not honor a Ready Line check if your Ready Line checks have been reported lost or stolen, if you write a post-dated Ready Line check, if your Ready Line check has not been signed by an authorized signer, of if your credit line has been terminated or suspended.

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

VARIABLE RATE FEATURE. The Plan has a variable rate feature. The ANNUAL PERCENTAGE RATE (corresponding to the periodic rate), and the minimum payment amount can change as a result. The ANNUAL PERCENTAGE RATE does not include costs other than interest.

THE INDEX. The ANNUAL PERCENTAGE RATE is based on the value of an Index (referred to in the disclosures as the "Index"). The Index is the Highest Prime Rate published in Wall Street Journal. Information about the Index is available or published in the Wall Street Journal. We will use the most recent index value available to us as of the date of an ANNUAL PERCENTAGE RATE adjustment. If the Index is no longer available, we will choose a new index and margin. The new Index will have an historical movement substantially similar to the original Index, and the new Index and margin will result in an ANNUAL PERCENTAGE RATE that is substantially similar to the rate in effect at the time the original Index becomes unavailable.

ANNUAL PERCENTAGE RATE. To determine the Periodic Rate that will apply to your credit line, we add a margin to the value of the Index, and then divide the value by the number of days in a year (daily). To obtain the ANNUAL PERCENTAGE RATE we multiply the Periodic Rae by the number of days in a year (daily). This result is the ANNUAL PERCENTAGE RATE. A change in the Index rate generally will result in a change in the ANNUAL PERCENTAGE RATE.

The amount that your ANNUAL PERCENTAGE RATE may change also may be affected by the lifetime ANNUAL PERCENTAGE RATE limits, as discussed on the next page.

Please ask us for the current Index value, margin, discount and ANNUAL PERCENTAGE RATE. After you open a credit line, rate information will be provided on periodic statements that we send to you.

FREQUENCY AND LIMITS OF ANNUAL PERCENTAGE RATE ADJUSTMENTS. Your ANNUAL PERCENTAGE RATE can change daily. There is no limit on the amount by which the ANNUAL PERCENTAGE RATE can change during any one year period. However, under no circumstances will your ANNUAL PERCENTAGE RATE exceed 24.000% per annum or go below 5.000% per annum at any time during the term of the Plan in future ANNUAL PERCENTAGE RATE adjustments.

PREPAYMENT. You may prepay all or any amount owning under the Plan at any time without penalty.

HISTORICAL EXAMPLES. The examples on this page show 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 the past 15 years. The Index values are from the following reference period as of the 1st week of January. While only one payment per year is shown, payments may have varied during each year. Different outstanding principal balances could result in different payment amounts.

The tables assume that no additional credit advances were taken, that only the minimum payment was made, and that the rate remained constant during the year. It does not necessarily indicate how the Index or your payments would change in the future.

These two tables reflect the two types of payment methods that are based on your credit score and the ratio between the value of your home or other dwelling and the credit line amount, (1) payment of interest-only and (2) payment of 1.500% of the credit line balance. If the payment determined under any option is less than $50.00, the minimum payment will equal $50.00.

Monthly Payment Method: Interest-Only

Year	Index (%)	Margin* (%)	ANNUAL PERCENTAGE RATE** (%)	Minimum Monthly Payment ($)
2002	4.750	1.500	6.250	52.08
2003	4.250	1.500	5.750	50.00
2004	4.000	1.500	5.500	50.00
2005	5.250	1.500	6.750	56.25
2006	7.250	1.500	8.750	72.92
2007	8.250	1.500	9.750	81.25
2008	7.250	1.500	8.750	72.92
2009	3.250	1.500	4.750	50.00
2010	3.250	1.500	4.750	50.00
2011	3.250	1.500	4.750	50.00
2012	3.250	1.500	4.750	50.00
2013	3.250	1.500	4.750	50.00
2014	3.250	1.500	4.750	50.00
2015	3.250	1.500	4.750	50.00
2016	3.500	1.500	5.000	50.00

*This is a margin we have used recently; your margin may be different.
** This ANNUAL PERCENTAGE RATE does not reflect the rate floor should the index change in the future.

Monthly Payment Method: 1.500% Of The Credit Line Balance

Year	Index (%)	Margin* (%)	ANNUAL PERCENTAGE RATE** (%)	Minimum Monthly Payment ($)
2002	4.750	1.500	6.250	150.00
2003	4.250	1.500	5.750	150.00
2004	4.000	1.500	5.500	150.00
2005	5.250	1.500	6.750	150.00
2006	7.250	1.500	8.750	150.00
2007	8.250	1.500	9.750	150.00
2008	7.250	1.500	8.750	150.00
2009	3.250	1.500	4.750	150.00
2010	3.250	1.500	4.750	150.00
2011	3.250	1.500	4.750	150.00
2012	3.250	1.500	4.750	150.00
2013	3.250	1.500	4.750	150.00
2014	3.250	1.500	4.750	150.00
2015	3.250	1.500	4.750	150.00
2016	3.500	1.500	5.000	150.00

*This is a margin we have used recently; your margin may be different.
** This ANNUAL PERCENTAGE RATE does not reflect the rate floor should the index change in the future.

ACKNOWLEDGMENT

I/we acknowledge receipt of this disclosure *Important Terms Of Our Home Equity Line Of Credit* on the date indicated below. I/we also acknowledge receipt of the *What You Should Know About Home Equity Lines Of Credit* handbook on the date indicated below.

SIGNATURE SIGNATURE

DATE DATE

Effective 10/2017

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What you should know about home equity lines of credit

Consumer Financial Protection Bureau

January 2014

This booklet was initially prepared by the Board of Governors of the Federal Reserve System. The Consumer Financial Protection Bureau (CFPB) has made technical updates to the booklet to reflect new mortgage rules under Title XIV of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). A larger update of this booklet is planned in the future to reflect other changes under the Dodd-Frank Act and to align with other CFPB resources and tools for consumers as part of the CFPB's broader mission to educate consumers. Consumers are encouraged to visit the CPFB's website at consumerfinance.gov/owning-a-home to access interactive tools and resources for mortgage shoppers, which are expected to be available beginning in 2014.

Table of Contents

1. Introduction

If you are in the market for credit, a home equity plan is one of several options that might be right for you. Before making a decision, however, you should weigh carefully the costs of a home equity line against the benefits. Shop for the credit terms that best meet your borrowing needs without posing undue financial risks. And remember, failure to repay the amounts you've borrowed, plus interest, could mean the loss of your home.

1.1 Home equity plan checklist

Ask your lender to help you fill out this worksheet.

Basic features for comparison	Plan A	Plan B
Fixed annual percentage rate	%	%
Variable annual percentage rate	%	%
□ Index used and current value	%	%
□ Amount of margin		
□ Frequency of rate adjustments		
□ Amount/length of discount (if any)		
□ Interest rate cap and floor		
Length of plan		
Draw period		
Repayment period		
Initial fees		
Appraisal fee		
Application fee		
Up-front charges, including points		
Closing costs		

Repayment terms	Plan A	Plan B
During the draw period		
Interest and principal payments		
Interest-only payments		
Fully amortizing payments		
When the draw period ends		
Balloon payment?		
Renewal available?		
Refinancing of balance by lender?		

2. What is a home equity line of credit?

A home equity line of credit is a form of revolving credit in which your home serves as collateral. Because a home often is a consumer's most valuable asset, many homeowners use home equity credit lines only for major items, such as education, home improvements, or medical bills, and choose not to use them for day-to-day expenses.

With a home equity line, you will be approved for a specific amount of credit. Many lenders set the credit limit on a home equity line by taking a percentage (say, 75 percent) of the home's appraised value and subtracting from that the balance owed on the existing mortgage. For example:

Appraised value of home	$100,000
Percentage	x 75%
Percentage of appraised value	= $75,000
Less balance owed on mortgage	– $40,000
Potential line of credit	**$35,000**

In determining your actual credit limit, the lender will also consider your ability to repay the loan (principal and interest) by looking at your income, debts, and other financial obligations as well as your credit history.

Many home equity plans set a fixed period during which you can borrow money, such as 10 years. At the end of this "draw period," you may be allowed to renew the credit line. If your plan does not allow renewals, you will not be able to borrow additional money once the period has ended. Some plans may call for payment in full of any outstanding balance at the end of the period. Others may allow repayment over a fixed period (the "repayment period"), for example, 10 years.

Once approved for a home equity line of credit, you will most likely be able to borrow up to your credit limit whenever you want. Typically, you will use special checks to draw on your line. Under some plans, borrowers can use a credit card or other means to draw on the line.

There may be other limitations on how you use the line. Some plans may require you to borrow a minimum amount each time you draw on the line (for example, $300) or keep a minimum amount outstanding. Some plans may also require that you take an initial advance when the line is set up.

2.1 What should you look for when shopping for a plan?

If you decide to apply for a home equity line of credit, look for the plan that best meets your particular needs. Read the credit agreement carefully, and examine the terms and conditions of various plans, including the annual percentage rate (APR) and the costs of establishing the plan. Remember, though, that the APR for a home equity line is based on the interest rate alone and will not reflect closing costs and other fees and charges, so you'll need to compare these costs, as well as the APRs, among lenders.

2.1.1. Variable interest rates

Home equity lines of credit typically involve variable rather than fixed interest rates. The variable rate must be based on a publicly available index (such as the prime rate published in some major daily newspapers or a U.S. Treasury bill rate). In such cases, the interest rate you pay for the line of credit will change, mirroring changes in the value of the index. Most lenders cite the interest rate you will pay as the value of the index at a particular time, plus a "margin," such as 2 percentage points. Because the cost of borrowing is tied directly to the value of the index, it is important to find out which index is used, how often the value of the index changes, and how high it has risen in the past. It is also important to note the amount of the margin.

Lenders sometimes offer a temporarily discounted interest rate for home equity lines—an "introductory" rate that is unusually low for a short period, such as six months.

Variable-rate plans secured by a dwelling must, by law, have a ceiling (or cap) on how much your interest rate may increase over the life of the plan. Some variable-rate plans limit how much your payment may increase and how low your interest rate may fall if the index drops.

Some lenders allow you to convert from a variable interest rate to a fixed rate during the life of the plan, or let you convert all or a portion of your line to a fixed-term installment loan.

2.2 Costs of establishing and maintaining a home equity line

Many of the costs of setting up a home equity line of credit are similar to those you pay when you get a mortgage. For example:

- A fee for a property appraisal to estimate the value of your home;
- An application fee, which may not be refunded if you are turned down for credit;
- Up-front charges, such as one or more "points" (one point equals 1 percent of the credit limit); and
- Closing costs, including fees for attorneys, title search, mortgage preparation and filing, property and title insurance, and taxes.

In addition, you may be subject to certain fees during the plan period, such as annual membership or maintenance fees and a transaction fee every time you draw on the credit line.

You could find yourself paying hundreds of dollars to establish the plan. And if you were to draw only a small amount against your credit line, those initial charges would substantially increase the cost of the funds borrowed. On the other hand, because the lender's risk is lower than for other forms of credit, as your home serves as collateral, annual percentage rates for home equity lines are generally lower than rates for other types of credit. The interest you save could offset the costs of establishing and maintaining the line. Moreover, some lenders waive some or all of the closing costs.

2.3 How will you repay your home equity plan?

Before entering into a plan, consider how you will pay back the money you borrow. Some plans set a minimum monthly payment that includes a portion of the principal (the amount you borrow) plus accrued interest. But, unlike with typical installment loan agreements, the portion of your payment that goes toward principal may not be enough to repay the principal by the end of the term. Other plans may allow payment of only the interest during the life of the plan, which means that you pay nothing toward the principal. If you borrow $10,000, you will owe that amount when the payment plan ends.

Regardless of the minimum required payment on your home equity line, you may choose to pay more, and many lenders offer a choice of payment options. However, some lenders may require you to pay special fees or penalties if you choose to pay more, so check with your lender. Many consumers choose to pay down the principal regularly as they do with other loans. For example, if you use your line to buy a boat, you may want to pay it off as you would a typical boat loan.

Whatever your payment arrangements during the life of the plan—whether you pay some, a little, or none of the principal amount of the loan—when the plan ends, you may have to pay the entire balance owed, all at once. You must be prepared to make this “balloon payment” by refinancing it with the lender, by obtaining a loan from another lender, or by some other means. If you are unable to make the balloon payment, you could lose your home.

If your plan has a variable interest rate, your monthly payments may change. Assume, for example, that you borrow $10,000 under a plan that calls for interest-only payments. At a 10 percent interest rate, your monthly payments would be $83. If the rate rises over time to 15 percent, your monthly payments will increase to $125. Similarly, if you are making payments that cover interest plus some portion of the principal, your monthly payments may increase, unless your agreement calls for keeping payments the same throughout the plan period.

If you sell your home, you will probably be required to pay off your home equity line in full immediately. If you are likely to sell your home in the near future, consider whether it makes sense to pay the up-front costs of setting up a line of credit. Also keep in mind that renting your home may be prohibited under the terms of your agreement.

2.4 Line of credit vs. traditional second mortgage loans

If you are thinking about a home equity line of credit, you might also want to consider a traditional second mortgage loan. This type of loan provides you with a fixed amount of money, repayable over a fixed period. In most cases, the payment schedule calls for equal payments that pay off the entire loan within the loan period. You might consider a second mortgage instead of a home equity line if, for example, you need a set amount for a specific purpose, such as an addition to your home.

In deciding which type of loan best suits your needs, consider the costs under the two alternatives. Look at both the APR and other charges. Do not, however, simply compare the APRs, because the APRs on the two types of loans are figured differently:

- The APR for a traditional second mortgage loan takes into account the interest rate charged plus points and other finance charges.
- The APR for a home equity line of credit is based on the periodic interest rate alone. It does not include points or other charges.

2.4.1. Disclosures from lenders

The federal Truth in Lending Act requires lenders to disclose the important terms and costs of their home equity plans, including the APR, miscellaneous charges, the payment terms, and information about any variable-rate feature. And in general, neither the lender nor anyone else may charge a fee until after you have received this information. You usually get these disclosures when you receive an application form, and you will get additional disclosures before the plan is opened. If any term (other than a variable-rate feature) changes before the plan is opened, the lender must return all fees if you decide not to enter into the plan because of the change. Lenders are also required to provide you with a list of homeownership counseling organizations in your area.

When you open a home equity line, the transaction puts your home at risk. If the home involved is your principal dwelling, the Truth in Lending Act gives you three days from the day the account was opened to cancel the credit line. This right allows you to change your mind for any reason. You simply inform the lender in writing within the three-day period. The lender must then cancel its security interest in your home and return all fees— including any application and appraisal fees—paid to open the account.

The Home Ownership and Equity Protection Act of 1994 (HOEPA) addresses certain unfair practices and establishes requirements for certain loans with high rates and fees, including certain additional disclosures. HOEPA now covers some HELOCs. You can find out more information by contacting the CFPB at the website address and phone number listed in the Contact information appendix, below.

2.5 What if the lender freezes or reduces your line of credit?

Plans generally permit lenders to freeze or reduce a credit line if the value of the home "declines significantly" or when the lender "reasonably believes" that you will be unable to make your payments due to a "material change" in your financial circumstances. If this happens, you may want to:

- **Talk with your lender.** Find out what caused the lender to freeze or reduce your credit line and what, if anything, you can do to restore it. You may be able to provide additional information to restore your line of credit, such as documentation showing that your house has retained its value or that there has not been a "material change" in your financial circumstances. You may want to get copies of your credit reports (go to the CFPB's website at consumerfinance.gov/askcfpb/5/can-i-review-my-credit-report.html for information about how to get free copies of your credit reports) to make sure all the information in them is correct. If your lender suggests getting a new appraisal, be sure you discuss appraisal firms in advance so that you know they will accept the new appraisal as valid.

- **Shop around for another line of credit.** If your lender does not want to restore your line of credit, shop around to see what other lenders have to offer. If another lender is willing to offer you a line of credit, you may be able to pay off your original line of credit and take out another one. Keep in mind, however, that you may need to pay some of the same application fees you paid for your original line of credit.

APPENDIX A

Defined terms

This glossary provides general definitions for terms commonly used in the real estate market. They may have different legal meanings depending on the context.

DEFINED TERM	
ANNUAL MEMBERSHIP OR MAINTENANCE FEE	An annual charge for access to a financial product such as a line of credit, credit card, or account. The fee is charged regardless of whether or not the product is used.
ANNUAL PERCENTAGE RATE (APR)	The cost of credit, expressed as a yearly rate. For closed-end credit, such as car loans or mortgages, the APR includes the interest rate, points, broker fees, and other credit charges that the borrower is required to pay. An APR, or an equivalent rate, is not used in leasing agreements.
APPLICATION FEE	Fees charged when you apply for a loan or other credit. These fees may include charges for property appraisal and a credit report.
BALLOON PAYMENT	A large extra payment that may be charged at the end of a mortgage loan or lease.
CAP (INTEREST RATE)	A limit on the amount that your interest rate can increase. Two types of interest-rate caps exist. *Periodic adjustment caps* limit the interest-rate increase from one adjustment period to the next. *Lifetime caps* limit the interest-rate increase over the life of the loan. By law, all adjustable-rate mortgages have an overall cap.
CLOSING OR SETTLEMENT COSTS	Fees paid when you close (or settle) on a loan. These fees may include application fees; title examination, abstract of title, title insurance, and property survey fees; fees for preparing deeds, mortgages, and settlement documents; attorneys' fees; recording fees; estimated costs of taxes and insurance; and notary, appraisal, and credit report fees. Under the Real Estate Settlement Procedures Act, the borrower receives a good faith estimate of closing costs within three days of application. The good faith estimate lists each expected cost as an amount or a range.
CREDIT LIMIT	The maximum amount that may be borrowed on a credit card or under a home equity line of credit plan.

EQUITY	The difference between the fair market value of the home and the outstanding balance on your mortgage plus any outstanding home equity loans.
INDEX	The economic indicator used to calculate interest-rate adjustments for adjustable-rate mortgages or other adjustable-rate loans. The index rate can increase or decrease at any time. See also Selected index rates for ARMs over an 11-year period (consumerfinance.gov/f/201204_CFPB_ARMs-brochure.pdf) for examples of common indexes that have changed in the past.
INTEREST RATE	The percentage rate used to determine the cost of borrowing money, stated usually as a percentage of the principal loan amount and as an annual rate.
MARGIN	The number of percentage points the lender adds to the index rate to calculate the adjustable-rate-mortgage interest rate at each adjustment.
MINIMUM PAYMENT	The lowest amount that you must pay (usually monthly) to keep your account in good standing. Under some plans, the minimum payment may cover interest only; under others, it may include both principal and interest.
POINTS (ALSO CALLED DISCOUNT POINTS)	One point is equal to 1 percent of the principal amount of a mortgage loan. For example, if a mortgage is $200,000, one point equals $2,000. Lenders frequently charge points in both fixed-rate and adjustable-rate mortgages to cover loan origination costs or to provide additional compensation to the lender or broker. These points usually are paid at closing and may be paid by the borrower or the home seller, or may be split between them. In some cases, the money needed to pay points can be borrowed (incorporated in the loan amount), but doing so will increase the loan amount and the total costs. Discount points (also called discount fees) are points that you voluntarily choose to pay in return for a lower interest rate.
SECURITY INTEREST	If stated in your credit agreement, a creditor, lessor, or assignee's legal right to your property (such as your home, stocks, or bonds) that secures payment of your obligation under the credit agreement. The property that secures payment of your obligation is referred to as "collateral."
TRANSACTION FEE	Fee charged each time a withdrawal or other specified transaction is made on a line of credit, such as a balance transfer fee or a cash advance fee.
VARIABLE RATE	An interest rate that changes periodically in relation to an index, such as the prime rate. Payments may increase or decrease accordingly.

APPENDIX B

More information

For more information about mortgages, including home equity lines of credit, visit consumerfinance.gov/mortgage. For answers to questions about mortgages and other financial topics, visit consumerfinance.gov/askcfpb. You may also visit the CFPB's website at consumerfinance.gov/owning-a-home to access interactive tools and resources for mortgage shoppers, which are expected to be available beginning in 2014.

Housing counselors can be very helpful, especially for first-time home buyers or if you're having trouble paying your mortgage. The U.S. Department of Housing and Urban Development (HUD) supports housing counseling agencies throughout the country that can provide free or low-cost advice. You can search for HUD-approved housing counseling agencies in your area on the CFPB's web site at consumerfinance.gov/find-a-housing-counselor or by calling HUD's interactive toll-free number at 800-569-4287.

The company that collects your mortgage payments is your loan servicer. This may not be the same company as your lender. If you have concerns about how your loan is being serviced or another aspect of your mortgage, you may wish to submit a complaint to the CFPB at consumerfinance.gov/complaint or by calling (855) 411-CFPB (2372).

When you submit a complaint to the CFPB, the CFPB will forward your complaint to the company and work to get a response. Companies have 15 days to respond to you and the CFPB. You can review the company's response and give feedback to the CFPB.

APPENDIX C

Contact information

For additional information or to submit a complaint, you can contact the CFPB or one of the other federal agencies listed below, depending on the type of institution. If you are not sure which agency to contact, you can submit a complaint to the CFPB and if the CFPB determines that another agency would be better able to assist you, the CFPB will refer your complaint to that agency and let you know.

Regulatory agency	Regulated entities	Contact information
Consumer Financial Protection Bureau (CFPB) P.O. Box 4503 Iowa City, IA 52244	Insured depository institutions and credit unions with assets greater than $10 billion (and their affiliates), and non-bank providers of consumer financial products and services, including mortgages, credit cards, debt collection, consumer reports, prepaid cards, private education loans, and payday lending	(855) 411-CFPB (2372) consumerfinance.gov consumerfinance.gov/complaint
Board of Governors of the Federal Reserve System (FRB) Consumer Help P.O. Box 1200 Minneapolis, MN 55480	Federally insured state-chartered bank members of the Federal Reserve System	(888) 851-1920 federalreserveconsumerhelp.gov
Office of the Comptroller of the Currency (OCC) Customer Assistance Group 1301 McKinney Street Suite 3450 Houston, TX 77010	National banks and federally chartered savings banks/associations	(800) 613-6743 occ.treas.gov helpwithmybank.gov
Federal Deposit Insurance Corporation (FDIC) Consumer Response Center 1100 Walnut Street, Box #11 Kansas City, MO 64106	Federally insured state-chartered banks that are not members of the Federal Reserve System	(877) ASK-FDIC or (877) 275-3342 fdic.gov fdic.gov/consumers
Federal Housing Finance Agency (FHFA) Consumer Communications Constitution Center 400 7th Street, S.W. Washington, DC 20024	Fannie Mae, Freddie Mac, and the Federal Home Loan Banks	Consumer Helpline (202) 649-3811 fhfa.gov fhfa.gov/Default.aspx?Page=369 ConsumerHelp@fhfa.gov

Regulatory agency	Regulated entities	Contact information
National Credit Union Administration (NCUA) Consumer Assistance 1775 Duke Street Alexandria, VA 22314	Federally chartered credit unions	(800) 755-1030 ncua.gov mycreditunion.gov
Federal Trade Commission (FTC) Consumer Response Center 600 Pennsylvania Ave, N.W. Washington, DC 20580	Finance companies, retail stores, auto dealers, mortgage companies and other lenders, and credit bureaus	(877) FTC-HELP or (877) 382-4357 ftc.gov ftc.gov/bcp
Securities and Exchange Commission (SEC) Complaint Center 100 F Street, N.E. Washington, DC 20549	Brokerage firms, mutual fund companies, and investment advisers	(202) 551-6551 sec.gov sec.gov/complaint/select.shtml
Commodity Futures Trading Commission (CFTC) 1155 21st Street, N.W. Washington, DC 20581	Commodity brokers, commodity trading advisers, commodity pools, and introducing brokers	(866) 366-2382 cftc.gov/ConsumerProtection/index.htm
U.S. Department of Justice (DOJ) Civil Rights Division 950 Pennsylvania Ave, N.W. Housing and Civil Enforcement Section Washington DC 20530	Fair lending and housing issues	(202) 514-4713 TTY–(202) 305-1882 FAX–(202) 514-1116 To report an incident of housing discrimination: 1-800-896-7743 fairhousing@usdoj.gov
Department of Housing and Urban Development (HUD) Office of Fair Housing/Equal Opportunity 451 7th Street, S.W. Washington, DC 20410	Fair lending and housing issues	(800) 669-9777 hud.gov/complaints