

## EECU

Texas Home Equity Line of Credit

### Early Disclosure Statement

Important Terms of Our  
Texas Home Equity Line of Credit Account

This disclosure contains important information about our Texas Home Equity Line of Credit Account. You should read it carefully and keep a copy for your records. In this Disclosure, "you" and "your" refer to each person applying for a Texas Home Equity Line of Credit and anyone else authorized to use it. "We", "our" and "us" refer to EECU.

1. **Availability of Terms.** All of the terms described below are subject to change. If any of these terms change (other than the annual percentage rate due to fluctuations in the index) and you decide, as a result, to not 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.
2. **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.
3. **Possible Actions.** We may take the following actions with respect to your line of credit under the circumstances listed below:
  - a. **Termination & Acceleration.** We can terminate your line of credit and require you to pay us the entire outstanding balance on your line of credit in one payment, and charge you certain fees if:
    - i. You engage in any fraud or material misrepresentation or omission at any time in connection with the line of credit;
    - ii. You do not meet the repayment terms of the line of credit; or
    - iii. Your action or inaction adversely affects the collateral (your home) for your line of credit or our rights in the collateral. This includes, to the extent allowable by applicable law, your failure to insure the collateral or pay taxes on the collateral as they become due, the sale or other transfer of the collateral, the creation of a senior lien encumbering the collateral, or the foreclosure or threatened foreclosure of another lien on the collateral.
  - b. **Suspension of Credit or Reduction of Credit Limit.** We may refuse to make

additional advances or reduce your credit limit if:

- i. Any of the circumstances set forth in subparagraph (a) above occur;
  - ii. The value of your dwelling securing your line of credit declines significantly below its appraised value for purposes of the line;
  - iii. We reasonably believe that you will not be able to meet the repayment obligations of your line of credit Agreement due to a material change in your financial circumstances;
  - iv. You are in default of a material obligation of your line of credit Agreement or the line of credit Security Document. All of your obligations under your line of credit Agreement and the line of credit Security Document are material for purposes of this provision;
  - v. 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% of the credit limit;
  - vi. A regulatory agency has notified us that continued advances would constitute an unsafe and unsound practice; or
  - vii. The maximum annual percentage rate is reached.
- c. **Change in Terms.** The line of credit Agreement permits us to make certain changes to the terms of your line of credit at specified times or upon the occurrence of specified events.
4. **Draw Period and Repayment Period.** The draw period (the "Draw Period") is the time period in which advances can be obtained on your line of credit. The repayment period (the "Repayment Period") is the time period between the Draw Period and when your line of credit ends.

The Draw Period for your line of credit is 5 years. The Repayment Period for your line of credit is 15 years.

In addition, we offer a Fixed Rate Conversion Option for this Program. The specifics of this Fixed Rate Conversion Option are described below in Paragraph 15.

5. **Payment Terms.** The Draw Period is 5 years and you may obtain credit advances for 5 years. After the Draw Period ends, and if the Draw Period is not renewed or

extended by us, you will no longer be able to obtain credit advances and must repay the outstanding balance within a Repayment Period of 15 years. Minimum monthly payments will be due during the Draw Period and during the Repayment Period as described below.

6. **Minimum Payment Requirements.** During the Draw Period and the Repayment Period, payments will be due monthly whenever a balance exists on your statement date. The minimum payment requirements are as follows:

**Draw Period** - A minimum monthly payment equal to the finance charges that have accrued on the outstanding ending balance during the preceding month, together with all past due amounts, amounts in excess of your credit limit, late charges, insurance premiums and other fees imposed to the extent allowable by applicable law. Paying the minimum monthly payment will not reduce the principal balance that is outstanding on your line of credit.

**Repayment Period** - A minimum monthly payment in an amount, including both principal and interest, sufficient to amortize the unpaid line of credit balance at the end of the Draw Period over 180 months, considering the index plus margin then in effect, together with all past due amounts, amounts in excess of your credit limit, late charges, insurance premiums and other fees imposed to the extent allowable by applicable law. Your minimum payments may not be sufficient to fully repay the principal that is outstanding on your line. If they are not, you will be required to pay the entire outstanding balance in a single payment.

7. **Minimum Payment Example.** If you took a single \$10,000 advance at an **ANNUAL PERCENTAGE RATE** of 4.00% (the most recent index plus margin shown in the Historical Table), it would take 240 months to pay off your account. During that period, you would make 60 monthly payments of \$33.33 followed by 180 monthly payments of \$73.97.
8. **Fees and Charges.** In order to open and maintain a line of credit, you must pay certain fees and charges as follows:
- a. **Credit Union Fees.** You must pay an Application Fee of \$150 when you submit your loan application.
  - b. **Third Party Fees.** You must pay certain fees to third parties to open your line of credit account. These fees generally range between \$1,150 and \$1,500. If you ask, we will give you an itemization of the fees you will have to pay third parties in such event.

9. **Transaction Requirements.** There is a minimum draw requirement of \$4,000 for

each advance.

10. **Tax Deductibility.** You should consult a tax advisor regarding the deductibility of interest and charges under the line of credit.
11. **Property Insurance.** We will require that you carry insurance coverage on the property that secures your line of credit.
12. **Variable Rate Feature.** The line of credit has a variable rate feature, and the annual percentage rate (corresponding to the periodic rate), term and the minimum payment can change as a result. The annual percentage rate does not include costs other than interest.

The annual percentage rate is based on the value of an index. The index is the Prime Rate as published in the Money Rates Section of the *Wall Street Journal*. We will use the most recent index value available to us as of the 15th day of the month preceding the change (or the last business day before if the 15th falls on a weekend or a holiday) before the date of any annual percentage rate adjustment. To determine the annual percentage rate that will apply to your line of credit, we add a margin to the value of the index. The initial annual percentage rate is a specific value – it is not based on the index and margin used for later rate adjustments.

Ask us for the current index value, margin, Annual Percentage Rate, premium, or discount, if applicable. After you open a credit line, rate information will be provided on periodic statements that we send you.

13. **Rate Changes.** The annual percentage rate is subject to change semi-annually. Any change will be effective on the 1<sup>st</sup> day of January and the 1<sup>st</sup> day of July. An increase in the index will result in an increase in the periodic rate which, in turn, will result in higher payments. A decrease in the index will have the opposite effect. The rate cannot increase or decrease more than 2% in any 1-year period. In any event, the daily periodic rate will never be less than a daily periodic rate with a corresponding **ANNUAL PERCENTAGE RATE** of 4%, and it will never be greater than a daily periodic rate with a corresponding **ANNUAL PERCENTAGE RATE** of 18%.

#### 14. **Maximum Rate and Payment Examples.**

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% would be \$150.00. This maximum annual percentage rate could be reached during the 1<sup>st</sup> month of the 1<sup>st</sup> year after the expiration of 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 \$161.04. This maximum annual percentage rate could be reached during the 1<sup>st</sup> month of the 8th year of the Repayment Period.

15. **Fixed Rate Conversion Option.** During the Draw Period, you have the option to convert your outstanding balance to a fixed interest rate and a fixed monthly payment. The requirements regarding this Fixed Rate Conversion Option are as follows:

- a. **Conversion Period.** This option can only be exercised during the Draw Period. Specifically, you can exercise your option to convert to a fixed rate and fixed payment at any time following the 1<sup>st</sup> anniversary of the date your line of credit was established and before the expiration of the Draw Period.
- b. **Term.** The maximum repayment term for this Fixed Rate Conversion Option is 180 months.
- c. **Rate Determination.** If you choose to exercise this Fixed Rate Conversion Option and convert your balance to a fixed rate, the rate will be based on the value of an index. The index is the Prime Rate as published in the Money Rates Section of the *Wall Street Journal*. To determine the annual percentage rate for this Fixed Rate Conversion Option, we will use the index value that is in effect and available to us at the date of conversion plus a margin. Your annual percentage rate and your payment amount may increase if you exercise this option to convert to a fixed interest rate and a fixed payment.
- d. **Minimum Payment Requirements.** If you exercise this Fixed Rate Conversion Option, the minimum payment requirement will be a minimum monthly payment in an amount, including both principal and interest, sufficient to amortize your unpaid line of credit balance at the date of conversion over 180 months, considering the index plus margin then in effect, together with all past due amounts, amounts in excess of your credit limit, late charges, insurance premiums and other fees imposed to the extent allowable by applicable law.
- e. **Minimum Periodic Payment Example.** If you converted an outstanding balance of \$10,000 to a fixed **ANNUAL PERCENTAGE RATE** of 7% it would take 180 months to pay off your account under this Fixed Rate Conversion Option. During that period, you would make 180 monthly payments of \$89.88.
- f. **Minimum Balance.** The minimum balance that can be converted under this Fixed Rate Conversion Option is \$2,500.

16. **Negative Amortization.** In certain situations, negative amortization may occur. Negative amortization may reduce your equity in the dwelling.
17. **Historical Example.** The following tables show how the annual percentage rate and the minimum monthly payments for a single \$10,000 credit advance under each of the payment options available would have changed based on changes in the index over the past 15 years. The index values are from the last business day of July each year. While only 1 payment amount per year is shown, payments would have varied during each year.

The tables assume that no additional credit advances were taken, that only the minimum payments were made each month, and that the rate remained constant during each year. They do not necessarily indicate how the index or your payments will change in the future.

(Continued on next page.)

Year	Index	Margin	Annual Percentage Rate		Minimum Monthly Payment
	(%)	(%)*	(%)		(\$)
2006	8.00	0	8.00**	Draw Period	66.67
2007	8.25	0	8.25		68.75
2008	5.00	0	6.25**		52.08
2009	3.25	0	4.25**		35.42
2010	3.25	0	4.00***		33.33
2011	3.25	0	4.00***	Repayment Period	73.97
2012	3.25	0	4.00***		73.97
2013	3.25	0	4.00***		73.97
2014	3.25	0	4.00***		73.97
2015	3.25	0	4.00***		73.97
2016	3.50	0	4.00***		73.97
2017	4.25	0	4.25		75.23
2018	5.00	0	5.00		79.08
2019	5.00	0	5.00		79.08
2020	3.25	0	4.00***		73.97

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

\*\*This reflects the 2% annual limit on rate movement.

\*\*\* This reflects the 4% minimum requirement for **ANNUAL PERCENTAGE RATE**

**This is not a commitment to make a loan.**

You hereby acknowledge receipt of this Texas Home Equity Line of Credit Early Disclosure Statement and a copy of the home equity brochure entitled "What You Should Know About Home Equity Lines of Credit" or a suitable substitute on today's date.