



**L & N FEDERAL CREDIT UNION**  
9265 Smyrna Parkway  
Louisville, KY 40229



## HOME EQUITY EARLY DISCLOSURE IMPORTANT TERMS OF OUR HOME EQUITY LINE OF CREDIT PLAN

This disclosure contains important information about our Home Equity Line of Credit Plans. 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 security interest in 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 line, 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 plan; (2) you do not meet the repayment terms of this plan, 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 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 in the agreement; (6) 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 line; (7) a regulatory agency has notified us that continued advances would constitute an unsafe and unsound business practice, or (8) the maximum annual percentage rate is reached.

**HOME EQUITY PLANS:** We offer the "Regular" plan and the "Preferred" plan. Not all members will qualify for the Preferred Plan. Terms apply to both plans except where specifically indicated.

**MINIMUM PAYMENT REQUIREMENTS:** You can obtain credit advances for 5 years for the Regular plan and 7 years for the Preferred plan. This period is called the "draw period." At our option, we may renew or extend the draw period. After the draw period ends the repayment period will begin. The length of the repayment period will depend on the balance at the time of the last advance you obtain before the draw period ends. You will be required to make monthly payments during both the draw and repayment periods. At the time you obtain a credit advance a payoff period of 240 monthly payments will be used to calculate your payment for the Regular plan and 300 monthly payments for the Preferred plan.

The payoff period will always be the shorter of the payoff period for your outstanding balance or the time remaining to the maturity date. Your payment will be set to repay the balance after the advance, at the current annual percentage rate, within the payoff period. Your payment will be rounded up to the nearest dollar. Your payment will remain the same unless you obtain another credit advance. Your payment may also change

if the annual percentage rate increases. Each time the annual percentage rate increases, we will review the effect the increase has had on your plan. If the annual percentage rate has increased so much that your payment is not sufficient to repay the balance within the payoff period, we will adjust your payment to repay the balance within the original payoff period. Your payment will include any amounts past due and any amount by which you have exceeded your credit limit, and all other charges. Your payment will never be less than the smaller of \$50.00, or the full amount that you owe.

**MINIMUM PAYMENT EXAMPLES:** Regular Plan: If you made only the minimum monthly payment and took no other credit advances it would take 19 years 6 months to pay off a credit advance of \$10,000 at an **ANNUAL PERCENTAGE RATE** of 7.25%. During that period, you would make 233 payments of \$80.00 and a final payment of \$64.20.

Preferred Plan: If you made only the minimum monthly payment and took no other credit advances it would take 24 years 5 months to pay off a credit advance of \$10,000 at an **ANNUAL PERCENTAGE RATE** of 7.25%. During that period, you would make 292 payments of \$73.00 and a final payment of \$12.21.

**FEES AND CHARGES:** In order to open, use and maintain a line of credit plan, you must pay the following fees to us:

Flood Zone Determination Fee: \$17.00 (Due at closing)

**PROPERTY INSURANCE:** You must carry insurance on the property that secures this plan. If the property is located in a Special Flood Hazard Area we will require you to obtain flood insurance if it is available.

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

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

**ADDITIONAL HOME EQUITY PLANS:** Please ask us about our other available home equity line of credit plans.

**VARIABLE RATE FEATURE:** These plans have 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 Prime Rate published in the Money Rates column of the Wall Street Journal. 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 10 days before the date of any annual percentage rate adjustment.

To determine the annual percentage rate that will apply to your account, we add a margin to the value of the Index. If the rate is not already rounded we then round up to the next .125%.

Ask us for the current index value, margin and annual percentage rate. After you open a plan, rate information will be provided on periodic statements that we send you.

**RATE CHANGES:** The annual percentage rate can change semi-annually on the last day of March and September. There is no limit on the amount by which the annual percentage rate can change during any one year period. The maximum **ANNUAL PERCENTAGE RATE** that can apply is 18.0% or the maximum permitted by law, whichever is less.

**MAXIMUM RATE AND PAYMENT EXAMPLES:** If you had an outstanding balance of \$10,000, the minimum payment at the maximum **ANNUAL PERCENTAGE RATE** of 18.0% would be \$155.00 for the Traditional plan and \$152.00 for the Preferred plan. This annual percentage rate could be reached at the time of the 1st payment.

**MARGIN:** The margin you receive is based on your creditworthiness and loan-to-value ratio. Please ask the credit union for your particular margin.

**HISTORICAL EXAMPLE:** The following table shows how the annual percentage rate and the minimum payments for a single \$10,000 credit advance would have changed based on changes in the index over the past 15 years. The index values are from the last 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 that no additional credit advances were taken, that only the 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 last business day of January)	Index (Percent)	Margin <sup>(1)</sup> (Percent)	<b>ANNUAL PERCENTAGE RATE</b>	Monthly Payment (Dollars) Regular Plan	Monthly Payment (Dollars) Preferred Plan
1994	6.000	1.25	7.250	80.00	73.00
1995	8.500	1.25	9.750	95.00	89.00
1996	8.500	1.25	9.750	95.00	89.00
1997	8.250	1.25	9.500	95.00	89.00
1998	8.500	1.25	9.750	95.00	89.00
1999	7.750	1.25	9.000	95.00	89.00
2000	8.500	1.25	9.750	95.00	89.00
2001	9.000	1.25	10.250	95.00	90.00
2002	4.750	1.25	6.000	95.00	90.00
2003	4.250	1.25	5.500	95.00	90.00
2004	4.000	1.25	5.250	95.00	90.00
2005	5.250	1.25	6.500	95.00	90.00
2006	7.500	1.25	8.750	95.00	90.00
2007	8.250	1.25	9.500	95.00	90.00
2008	6.000	1.25	7.250	95.00	90.00

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