

# STARK FEDERAL CREDIT UNION

4100 Dressler Rd. NW  
Canton, Ohio 44718

## IMPORTANT TERMS OF OUR HOME EQUITY LINE OF CREDIT

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**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 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 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 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 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 60 months (the draw period). During the draw period, payments will be due on a monthly basis. Your minimum monthly payment will be established at the time of each advance at an amount equal to 1.50% of your then outstanding account balance subject to a minimum of \$100.

After the draw period ends, 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 but in no event exceed 120 months. During the repayment period, minimum payments will be due on a monthly basis and will be calculated in the same manner as the draw period.

The minimum payment may not be sufficient to fully amortize your unpaid account balance by the Agreement Maturity Date. Therefore, you will be required to pay the entire remaining balance in a single balloon payment at the end of the repayment period.

**Negative Amortization:** Under some circumstances, your payment will not cover the Finance Charges that accrue and Negative Amortization will occur. Negative Amortization will increase the amount that you owe us and reduce your equity in your home. In the event this should occur, we will adjust your payment accordingly to avoid Negative Amortization.

### Minimum Payment Example

If you made only the minimum monthly payment and took no other credit advances, it would take 9 years and 4 months to pay off a credit advance of \$10,000 at an **ANNUAL PERCENTAGE RATE** of 4.50%. You would make 60 monthly payments varying between \$150.00 and \$100.00 during the draw period. You would then make 51 monthly payments of \$100.00 during the repayment period. You would then make a final payment of \$36.39.

**Late Charge:** If your payment is more than 10 days late you will be charged 5% of the payment due.

**Fees and Charges:** To open and maintain a line of credit, you must pay the following fees to us: Annual fee of \$40.00 due on January 1st of each year. You may also have to pay certain fees to third parties. These fees generally total between \$0.00 and \$1,000. If you ask, we will give you an itemization of the fees you may have to pay to third parties.

**Transaction Requirements:** The minimum initial advance you can receive is \$5,000.00. Second and subsequent advances are subject to a minimum of \$1,000.00.

**Property Insurance:** You must carry insurance on the property that secures this Plan.

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

**Variable Rate:** Following the expiration of any Discounted Rate, your Plan is subject to a Variable Rate and the Annual Percentage Rate (corresponding to the periodic rate) may increase or decrease quarterly as a result. The Annual Percentage Rate is based on the highest Prime Rate as published in the Money Rates Section of The Wall Street Journal and will be the rate in effect 10 days prior to January, April, July and October of each year ("Index") plus our Margin. To determine the Annual Percentage Rate that will apply to your line of credit, we add our margin to the value of the index and then round up to the next 0.25%. Changes in the Index will cause changes in the Interest Rate quarterly on the first day of January, April, July and October of each year. Increases and decreases in the Interest Rate will result in like increases or decreases in Finance Charge and may affect the amount of your scheduled payments during the draw and repayment periods. There is no limit on the amount by which the rate can change in any one year period. If the index becomes unavailable, we will choose another Index with a similar Interest Rate. The Annual Percentage Rate includes only interest and no other costs.

**Rate Changes:** Your rate can change quarterly on the 1st day of January, April, July and October. There is no limit on the amount your rate can change on each change date. Your **Annual Percentage Rate** will never be greater than 18.00% or the maximum allowed by law, whichever is less. Your **Annual Percentage Rate** will never be less than 4.50%. If your initial Annual Percentage Rate is a discounted rate, the discounted rate will remain in effect until the date indicated in this Agreement. Thereafter, the rate will be the Indexed rate in accordance with the variable interest rate provision of this Agreement.

**MAXIMUM RATE AND PAYMENT EXAMPLES**

If you had an outstanding balance of \$10,000 during the draw period, the minimum payment at the maximum **ANNUAL PERCENTAGE RATE** of 18.00% would be \$161.06. This Annual Percentage Rate could be reached in the 1st month of the draw period.

If you had an outstanding balance of \$10,000 during the repayment period, the minimum payment at the maximum **ANNUAL PERCENTAGE RATE** of 18.00% would be \$150.00. This Annual Percentage Rate could be reached in the 1st quarter of the repayment period.

**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 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 the index or your payments would change in the future.

YEAR	INDEX %	MARGIN % (1)	ANNUAL PERCENTAGE	PAYMENT \$
1997	8.25	1.00	9.50 (2)	150.00
1998	8.50	1.00	9.75 (2)	134.31
1999	7.75	1.00	9.00 (2)	113.21
2001	8.50	1.00	9.75 (2)	103.72
2001	9.50	1.00	10.75 (2)	130.31
2002	4.75	1.00	6.00 (2)	100.00
2003	4.25	1.00	5.50 (2)	100.00
2004	4.00	1.00	5.25 (2)	100.00
2005	5.25	1.00	6.50 (2)	100.00
2006	7.25	1.00	7.50 (2)	100.00
2007	8.25	1.00	9.50 (2)	100.00
2008	7.25	1.00	8.50 (2)	100.00
2009	3.25	1.00	4.50 (3)	
2010	3.25	1.00	4.50 (3)	
2011	3.25	1.00	4.50 (3)	

1) This represents a margin we have used recently. Your margin may be different.  
 2) This represents the rounding of the Annual Percentage Rate up to the next 0.25%.  
 3) This rate reflects 4.50% minimum rate.