

Patelco Credit Union ADU Home Equity Line of Credit - Program Disclosure

This Program Disclosure contains important information about Patelco Credit Union Home Equity Line of Credit. Please read it carefully and retain for your records.

General: Patelco CU Home Equity Line of Credit (“HELOC” or “line of credit” or “Account” is a revolving line of credit secured by the borrower’s principal residence. The HELOC permits borrowers to obtain credit advances (or draws) up to a specific credit limit throughout the term of the loan as long as credit is available. The HELOC has a **22-year** term and is a variable-rate loan with the index based on the Prime Rate as published in the Wall Street Journal.

You understand that the interest rate, points, and/or origination fee for your Account will be set at the time the loan documents are prepared for signature and, therefore, may be higher or lower than the rate, points, and/or origination fee at the time of application. You understand and agree that Patelco Credit Union will determine the date on which your loan documents are prepared and the date of loan funding.

Availability of Terms – All 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. Maximum combined loans to value cannot exceed 125%.

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: Under certain circumstances, we can (1) terminate your Account and require you to pay us the entire outstanding balance in one payment, and also change certain fees; (2) refuse to make additional extensions of credit; (3) reduce your credit limit; and (4) make specific changes to the terms that are set forth in your Agreement with us. If you ask, we will provide you with specific information about the circumstances under which we could take these actions.

Minimum-payment Requirements: You can obtain advances of credit for the first **2-year** period (the “draw period”) unless you complete the renovation or construction of the accessory dwelling unit(s) earlier, in which case you will not be able to obtain advances during the remainder of the draw period.

Monthly interest-only payments: During the draw period, your payments will be due monthly and will equal the finance charges that accrued on the outstanding balance during the preceding month. This minimum payment method, however, will not reduce the principal that is outstanding on your line.

After the draw period ends, you will no longer be able to obtain credit advances and must repay the outstanding balance (the “repayment period”). The length of the repayment period is 20 years. During the repayment period, you will repay the entire balance outstanding at the end of the draw period. Your minimum monthly payment will be the amount consisting of principal and finance charges that will amortize the unpaid balance over the Repayment Period, based on the ANNUAL PERCENTAGE RATE in effect each Change Date.

The Minimum-payment Example: If you took a single \$10,000 advance and the ANNUAL PERCENTAGE RATE was 9.00% with the monthly interest only draw period and 20-year repayment period, it would take 22 years to pay off the advance if you made only the minimum payments. During that period, you would make **24 payments** of \$75.00 (Interest Only), followed by 239 payments of \$89.97 (Principal and Interest) and one final payments of \$89.97.

Example: The following table shows how the ANNUAL PERCENTAGE RATE and the Monthly Payments for a single \$10,000 credit advance would have changed

based on index value from January 31st of each year. While only one payment amount per year is shown, the payments during the repayment period would have varied during each year. The table assumes that no additional credit advances were taken and that only the Minimum.

Monthly Payment was made each month and that rate remained constant during the year. It does not necessarily indicate how the index or your payments would change in the future.

Example of Interest Only and Principal and Interest Payments

Interest Only Calculation						
Last Interest Paid Date	Payment Date	# of Days	Interest Rate	Principal Balance	Min Mo Interest Payment	Monthly Principal Payment
1/1/2023	1/31/2023	31	9.00%	\$ 10,000.00	75.00	0.00
1/1/2024	1/31/2024	31	9.00%	\$ 10,000.00	75.00	0.00

Principal and Interest Calculation							
Repayment Period in years then months	Interest Rate	Principal Balance	Mo Int Payment	Monthly Principal Payment	Min Mo Payment		
1/1/2025	1/31/2025	31	9.00%	\$10,000.00	\$75.00	\$14.97	\$89.97
1/1/2026	1/31/2026	31	9.00%	\$9,812.73	\$73.60	\$16.38	\$89.97
1/1/2027	1/31/2027	31	9.00%	\$9,607.89	\$72.06	\$17.91	\$89.97
1/1/2028	1/31/2028	31	9.00%	\$9,383.84	\$70.38	\$19.59	\$89.97
1/1/2029	1/31/2029	31	9.00%	\$9,138.77	\$68.54	\$21.43	\$89.97
1/1/2030	1/31/2030	31	9.00%	\$8,870.70	\$66.53	\$23.44	\$89.97
1/1/2031	1/31/2031	31	9.00%	\$8,577.50	\$64.33	\$25.64	\$89.97
1/1/2032	1/31/2032	31	9.00%	\$8,256.79	\$61.93	\$28.05	\$89.97
1/1/2033	1/31/2033	31	9.00%	\$7,905.99	\$59.29	\$30.68	\$89.97
1/1/2034	1/31/2034	31	9.00%	\$7,522.29	\$56.42	\$33.56	\$89.97
1/1/2035	1/31/2035	31	9.00%	\$7,102.59	\$53.27	\$36.70	\$89.97
1/1/2036	1/31/2036	31	9.00%	\$6,643.52	\$49.83	\$40.15	\$89.97
1/1/2037	1/31/2037	31	9.00%	\$6,141.39	\$46.06	\$43.91	\$89.97
1/1/2038	1/31/2038	31	9.00%	\$5,592.15	\$41.94	\$48.03	\$89.97
1/1/2039	1/31/2039	31	9.00%	\$4,991.40	\$37.44	\$52.54	\$89.97
1/1/2040	1/31/2040	31	9.00%	\$4,334.28	\$32.51	\$57.47	\$89.97
1/1/2041	1/31/2041	31	9.00%	\$3,615.53	\$27.12	\$62.86	\$89.97
1/1/2042	1/31/2042	31	9.00%	\$2,829.35	\$21.22	\$68.75	\$89.97
1/1/2043	1/31/2043	31	9.00%	\$1,969.42	\$14.77	\$75.20	\$89.97
1/1/2044	1/31/2044	31	9.00%	\$1,028.83	\$7.72	\$82.26	\$89.97

Fees and Charges: To open and maintain a Home Equity Line of Credit, you may be required to pay a Lender Fee of \$250.00.

You may also be required to pay certain third-party fees to open this credit line. These fees generally total between \$0 and \$2,500. If you ask, we will provide you with an itemization of these fees you may have to pay.

Other Fees and Charges:

- **Annual maintenance fee: None**
- **Monthly Fee During Construction Period:**
\$50 for lines up to \$100,000
\$100 for lines over \$100,000
- **Late Charges:** If any payment is more than 10 days late, a Late Charge will be assessed equal to 3% of the interest due, or \$5.00 whichever is greater. Also, when you make a payment which is less than the Minimum Monthly Payment when due you will be assessed Late Charge.
- **Checks returned unpaid for NSF/Uncollected Funds per Item: \$28**
- **Checks returned unpaid for HELOC Payment per item: \$28**
- **Stop Payment on Home Equity Check per item: \$15**
- **Research/Copy Fee: \$2 per page**
- **Demand Fee: \$30**
- **Subordination Fee: \$200**
- **Recast or Amortization Fee: \$250**
- **Reconveyance Fee: \$120-\$151 for CA Properties, All Other States, \$35-\$234**

Minimum Credit Limit, Draw and Initial Advance Requirements: The minimum Credit Limit for a Home Equity Line of Credit is \$10,000. The minimum initial draw amount and each subsequent minimum advance is \$0.

Property Insurance: You must carry adequate hazard insurance on the property that secures this plan at all times. If the property is located in a Special Flood Hazard Zone, we will require you to obtain flood insurance if it is available.

Prepayment: You may repay your Home Equity Line of Credit in whole or in part at any time without penalty.

Introductory Rate: The Credit Union may offer an Introductory Discounted Margin for an Initial Introductory period. During the Introductory period the discounted APR is still subject to change each month, based on periodic changes to the index. Immediately following the Introductory period the APR will convert to the Index Value then in effect, plus the Margin disclosed in the Truth In Lending Disclosure and Open-end Loan Agreement.

Loan Term, Draw and Repayment Periods: The Home Equity Line of Credit loan term is **twenty-two (22) years**. You can obtain draw/advances under the line of credit for the first **two years** (the "draw period"). After the draw period you will no longer be able to obtain credit advances and must repay the outstanding balance (the "repayment period"). The length of the repayment is 20 years. Repayment in full is due on the Maturity Date.

Variable Rate Information: The line of credit has a variable-rate feature, and the annual percentage rate (corresponding to the periodic rate) and the minimum payment can change as a result. **The Annual Percentage Rate includes only interest. Other costs are not included.**

Fixed Rate Option: After your loan is completed, you have the option to lock in a portion or all of your existing balance on your new Patelco Home Equity Line of Credit into a fixed rate at 7, 10, or 15 years. Rates may vary and are subject to change. For the latest rates visit Patelco.org/HomeEquity. You may only have one fixed rate option on either all or a portion of your balance at a time. Your fixed rate balance will reduce the amount of your available credit for future draws on your equity line. Any future draws will be at the variable rate and payment in effect on your loan at the time of the draw. You will receive a separate statement and make separate principal and interest payments for the fixed-rate portion of your balance. The maximum term available for a fixed rate option is 15 years. Other restrictions may apply.

The **Annual Percentage Rate** is based on an Index Value plus a Margin. The Margin is a specific number of percentage points which is added to the Index Value to calculate the Annual Percentage Rate that we will apply to the line of credit at origination and when the rate adjusts. **Ask us for the current Index Value and Margin, as well as the current Annual Percentage Rate.** After you open your Account, rate information will be provided on the periodic statements that we send to you.

The Index is the highest commercial **Prime Rate** as published in the Wall Street Journal, Western Edition, on the last business day of the month prior to the change. Should the index be discontinued or otherwise be made unavailable during the term of your line of credit we will choose a new index that is based on comparable information and will provide you notice of this change.

Rate Changes: Increases and decreases in the ANNUAL PERCENTAGE RATE resulting from changes in the Index can occur monthly on the first day of each calendar month of each year during the term of the Account (the "Change Date"). On the first day of each calendar month we will adjust the ANNUAL PERCENTAGE RATE on the Account subject to the Limits on Rate Changes as set forth below, to agree to a newly computed **Annual Percentage Rate** based on the Index Value in effect as of the first day of the current month, plus the Margin. If there is no change in the Index Value on the Change Date the **Annual Percentage Rate** will not change.

Limits on Rate Changes: Unless we are offering a discounted introductory rate, the Annual Percentage rate can generally change once each month on the first day of the month. If an introductory rate is offered, the first rate change will occur on the first day of the month after the expiration of the introductory period and every month thereafter. In no event can your rate decrease below **3.000%** increase above **17.000% Annual Percentage Rate**.

Maximum Rate and Payment Example: If you had an outstanding balance of \$10,000, the Minimum Monthly Payment for interest only at the maximum ANNUAL PERCENTAGE RATE of 17% would be approximately \$141.67 per Month. The Minimum Monthly Payment for principal and interest at the maximum Annual Percentage rate of 17% would be approximately \$153.90.