



Randolph-Brooks Federal Credit Union  
PO Box 2097  
Universal City, TX 78148

## 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 Randolph-Brooks Federal Credit Union.

- 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 and 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/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;
    - i. The value of your dwelling securing your line of credit declines significantly below its appraised value for purposes of the line;
    - ii. 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;

- iii. 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;
  - iv. 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 percent of the credit limit;
  - v. A regulatory agency has notified us that continued advances would constitute an unsafe and unsound practice; or
  - vi. The maximum annual percentage rate is reached.
- a. 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 ten years. 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, but in no event will it ever be longer than fifteen years.
- 5. Payment Terms.** The Draw Period for your line of credit is ten years and you may obtain credit advances for ten 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 the Repayment Period. 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 account. Your minimum monthly payment will be calculated after each credit advance, and will be \$14.00 per \$1,000.00 of the outstanding balance after each advance rounded up to the nearest \$1,000.00. Your payment amount will remain the same unless you obtain another credit advance. We will recalculate your payment each time you obtain an advance. Your payment amount will not change when the annual percentage rate changes, however, if the annual percentage rate increases, you will be required to make more payments of the same amount. Your minimum monthly payment amount will include all past due amounts, amounts in excess of your credit limit, late charges, insurance premiums and other fees imposed to the extent allowed by applicable law.
- 7. Minimum Payment Example.** If you took a single \$10,000.00 advance at an **ANNUAL PERCENTAGE RATE** of 8.00% (the most recent index plus margin shown in the Historical Table), it would take 98 months to pay off your account. During that period you would make 97 monthly payments of \$140.00 and then 1 monthly payment of \$52.79.
- 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.** None.
  - b. Third Party Fees.** You must pay certain fees to third parties to open your line of credit account. These fees generally range between \$0.00 and \$650.00. 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 \$4,000.00 for each advance. You may not receive advances on your Account if the total principal

amount outstanding at the time you request an advance exceeds an amount equal to eighty percent (80%) of the fair market value of your homestead as determined as of the date that your Line of Credit is executed.

- 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) and the number of remaining payments 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 7 days 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.

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

- 13. Rate Changes.** The annual percentage rate is subject to change quarterly. Any change will be effective on the first day of January, April, July and October. An increase in the index will result in an increase in the periodic rate, which, in turn, may result in more payments of the same amount. In any event, the daily periodic rate will never be less than a daily periodic rate with a corresponding **ANNUAL PERCENTAGE RATE** of **2.500%**, and it will never be greater than a daily periodic rate with a corresponding **ANNUAL PERCENTAGE RATE** of **15.000%**. Apart from this rate "floor" and this rate "cap", there is no limit on the amount by which the rate can change during any one-year period.

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

If you had an outstanding balance of \$10,000.00 during the Draw Period, the minimum monthly payment at the maximum **ANNUAL PERCENTAGE RATE** of 15% would be \$140.00. This maximum annual percentage rate could be reached during the first month of the Draw Period.

If you had an outstanding balance of \$10,000.00 at the beginning of the Repayment Period, the minimum monthly payment at the maximum **ANNUAL PERCENTAGE RATE** of 15% would be \$140.00. This maximum annual percentage rate could be reached during the first month of the Repayment Period.

- 15. Historical Example.** The following table shows how the annual percentage rate and the minimum monthly 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 July each year. While only one payment amount per year is shown, payments would have varied during each year.

The table assumes 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. It does not necessarily indicate how the index or your payments will change in the future.

## WALL STREET JOURNAL PRIME RATE INDEX TABLE

<b>Draw Period</b>	<b>Year</b>	<b>Index (%)</b>	<b>Margin<sup>(1)</sup> (%)</b>	<b>ANNUAL PERCENTAGE RATE (%)</b>	<b>Minimum Monthly Payment (\$)</b>
	2009	3.25	-0.5	2.75	140.00
	2010	3.25	-0.5	2.75	140.00
	2011	3.25	-0.5	2.75	140.00
	2012	3.25	-0.5	2.75	140.00
	2013	3.25	-0.5	2.75	140.00
	2014	3.25	-0.5	2.75	140.00
	2015	3.25	-0.5	2.75	140.00
	2016	3.50	-0.5	3.00	140.00
	2017	4.25	-0.5	3.75	
	2018	5.00	-0.5	4.50	
<b>Repayment Period</b>	2019	5.50	-0.5	5.00	
	2020	3.25	-0.5	2.75	
	2021	3.25	-0.5	2.75	
	2022	5.50	-0.5	5.00	
	2023	8.50	-0.5	8.00	

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