

**NW PRIORITY CREDIT UNION  
INITIAL HOME EQUITY LINE ACCOUNT DISCLOSURES**

This disclosure contains important information about your Home Equity Line Account (Account). You should read it carefully and keep a copy for your records.

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**) 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 paid in connection with your application. Any application fee will not be refundable after three days of receipt of these disclosures.
2. **Security Interest.** We will take a deed of trust on 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 Account under the circumstances listed below:
  - a. **Termination and Acceleration.** We may terminate your Account and require you to pay us the entire outstanding balance immediately, and charge you certain fees if any of the following happen:
    - i. You engage in any fraud or material misrepresentation in connection with your Account. For example, if there are false statements or omissions on your application or financial statements.
    - ii. You do not meet the repayment terms of the Account.
    - iii. Your action or inaction adversely affects the collateral or our rights in the collateral. For example, if you fail to: maintain insurance, pay taxes, transfer title to or sell the collateral, prevent the foreclosure of any items, or waste of the collateral.
  - b. **Suspension of Credit/Reduction of Credit Limit.** We may refuse to make additional advances on your line or reduce your credit limit during any period in which the following exist or occur:
    - i. Any of the circumstances listed in a., above.
    - ii. The value of your dwelling securing the Account declines significantly below its appraised value for purposes of the Account.
    - iii. We reasonably believe that you will not be able to meet the repayment requirements of the Account due to a material change in your financial circumstances.
    - iv. You are in default under any material obligation of your Account.

All of your obligations under the Account (Agreement and Deed of Trust) are material to maintaining this Account. The categories of your obligations are set forth in the following paragraphs of these Agreements.

Home Equity Line Agreement. 1. Payment; 2. Credit Line Access; 3. Security; 4. Property Maintenance/Insurance; 8. Other Costs and Charges; 11. Possible Actions; and 13. Credit Information/Financial Statements.

Deed of Trust. 1. Payments and Performance; 2. Possession and Maintenance of Property; 3. Taxes and Liens; 4. Property Damage Insurance; 5. Expenditures by Credit Union; 7. Condemnation; 10.1. Consent by Credit Union; 10.2. Effect of Consent; 11. Security Agreement; Financing Statements; 14. Actions Upon Termination; 14.5. Attorneys Fees and Expenses; 16.2 Unit Ownership Power of Attorney; 16.3. Annual Reports; 16.5. Joint and Several Liability; 16.8 Waiver of Homestead Exemption; and 17.3. No Modifications.

  - v. The maximum **ANNUAL PERCENTAGE RATE** under your Account is reached.
  - vi. Any 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 120.0% of the credit line.
  - vii. We have been notified by government agency that continued advances would constitute an unsafe and unsound practice.
4. **Change in Terms.** The Agreement permits us to make certain changes to the terms of the Account at specified times or upon the occurrence of specified events.

5. **Minimum Payment Requirements.** You can obtain credit advances on your Equity Line account for five years (the "draw period"). During the draw period, payments will be due monthly. Your minimum monthly payment will be based on the following schedule:

<u>Balance</u>	<u>Payment</u>
\$ 5,000.00 - \$10,000.00	10 year amortization from date of advance
\$10,000.01 or more	15 year amortization from date of advance

The draw period will automatically renew unless the Credit Union notifies you in advance of any nonrenewal or you request nonrenewal. 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 will vary depending on the outstanding balance of the account at the beginning of the repayment period. During the repayment period, payments will be due monthly. Your minimum monthly payment will be based on the following schedule:

<u>Balance After Last Advance</u>	<u>Payment</u>
\$ 5,000.00 - \$10,000.00	10 year amortization
\$10,000.01 or more	15 year amortization

6. **Minimum Payment Example.** If you took a single \$10,000.00 advance on your Equity Line Account at an **ANNUAL PERCENTAGE RATE** of 7.25% (the most recent index plus margin from the historical table shown below) and made only the minimum monthly payments, it would take ten years to pay off your Account. During that period you would make 120 monthly payments of \$117.40.

7. **Fees and Charges.** In order to open and maintain the line, you must pay certain fees and charges.

Credit Union Fees. The following fees must be paid to us: None.

Third Party Fees. You must pay certain fees to third parties such as appraisers, credit reporting firms, and government agencies. In addition, you must carry insurance on the property that secures this plan. For a \$10,000 line these fees generally total \$2,145 based upon the following estimated third party fees:

Appraisal:	\$1,000.00
Title Insurance:	\$ 750.00
Recording Fee:	\$ 300.00
Flood Determination Fee:	\$ 20.00
Tax Service	\$ 75.00

8. **Appraisal Report.** You have the right to a copy of any real estate appraisal we use in connection with your credit application. To receive a copy, your request must be in writing to: NW Priority Credit Union, P.O. Box 16640, Portland, Oregon, 97292-0640. We must hear from you no later than 90 days after we notify you about the action taken on your credit application or you withdraw your application.

9. **Tax Deductibility.** You should consult a tax advisor regarding the deductibility of interest and charges under the plan.

10. **Annual Percentage Rate.** The **ANNUAL PERCENTAGE RATE** includes only interest and not other costs. For fixed rate accounts, the initial periodic rate and **ANNUAL PERCENTAGE RATE** will remain in effect for the life of the account. For variable rate accounts, the periodic rate and **ANNUAL PERCENTAGE RATE** may change as described below.

11. **Variable Rate Features.**

- a. **Determination of ANNUAL PERCENTAGE RATE.** For variable rate accounts, the **ANNUAL PERCENTAGE RATE** is based on the value of an index. The index is the 26 Week Treasury Bill Rate Average Auction Discount rate published by the U.S. Treasury, Bureau of Public Debt. To determine the **ANNUAL PERCENTAGE RATE** that will apply to your line, we add a margin to the value of the index and round to the nearest 1/4 of 1%. Ask us for the current index value, margin, and **ANNUAL PERCENTAGE RATE**. After you open a line, rate information will be provided on periodic statements that we will send you.
- b. **Rate Changes.** The adjustment to the **ANNUAL PERCENTAGE RATE** will take effect quarterly on the first day of January, April, July, and October of each year based on the most recent rates for the prior month. The **ANNUAL PERCENTAGE RATE** will not change by more than 0.25% at any one time. The maximum **ANNUAL PERCENTAGE RATE** that can apply is 18.0%. The minimum **ANNUAL PERCENTAGE RATE** that can apply is 3.0%. Any increase or decrease in the **ANNUAL PERCENTAGE RATE** will affect the number of payments you make. However, if the amount of your monthly payment is not sufficient to cover accrued interest plus any applicable insurance premiums, we may increase your payment to an amount sufficient to amortize the balance over the original amortization period.

**12. Maximum Rate and Payment Examples.** If you had an outstanding balance of \$10,000.00 on your Equity Line Account at the beginning of your Account, the minimum monthly payment at the maximum **ANNUAL PERCENTAGE RATE** of 18.0% would be \$180.19. This **ANNUAL PERCENTAGE RATE** could be reached during the tenth year of the Account (the fourth year of the repayment 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 18.0% would be \$180.19. This **ANNUAL PERCENTAGE RATE** could be reached during the tenth year of the repayment period.

**13. 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 last 15 years. The index values are from the last day of December of the prior year. While only one payment amount per year is shown, payments would have varied slightly during each year. The table assumes that no additional credit advances were taken, that only the minimum payment was made each month, 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.

<u>Year</u>	<u>Index</u> (%)	<u>Margin*</u> (%)	<u>ANNUAL PERCENTAGE RATE</u> (%)	<u>Minimum Monthly Payment</u> (\$)	
2010	0.20	5.0	5.25	107.29	
2011	0.23	5.0	5.25	107.29	
2012	0.06	5.0	5.00	107.29	
2013	0.13	5.0	5.25	107.29	DRAW
2014	0.09	5.0	5.00	107.29	PERIOD
2015	0.13	5.0	5.25	60.22	REPAYMENT
2016	0.56	5.0	5.50	60.22	PERIOD
2017	0.65	5.0	5.75	60.22	
2018	1.51	5.0	6.50	60.22	
2019	2.46	5.0	7.50	60.22	
2020	1.54	5.0	6.50	60.22	
2021	0.08	5.0	5.50**	60.22	
2022	0.19	5.0	5.25	60.22	
2023	4.60	5.0	6.25**	60.22	
2024	5.10	5.0	7.25**	60.22	

\* This is a margin we have used recently.

\*\* This rate reflects a rate cap of .25% each quarter.