

M-103270

Home Equity Line of Credit Disclosure

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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: There are no established time limitations to entering into the Home Equity Line Account Agreement on the terms described herein. However, We reserve the right to change any terms prior to Your entering an agreement with Us. 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 within 3 days after You receive this disclosure.

Security Interest: We will take a mortgage in Your home. You could lose Your home if You do not meet the obligations in Your Agreement with Essential Federal Credit Union.

Insurance: You must carry insurance equal to 80% of the value of the property that secures this plan.

Suspension: Your right to request additional advances may be suspended, or Your Maximum Credit Limit reduced; at Our option in the following instances: (1) You fail to make the scheduled payments due to Us; (2) You fail to make timely

payments to the holders of Mortgage/Deeds of Trust senior to Ours; (3) You fail to pay real property taxes prior to delinquency; (4) You fail to maintain the required property insurance (80% of the value of the property that secures the plan); (5) the value of the Security Property declines significantly below the appraised value upon which We relied in approving Your application; (6) We reasonably believe that Your ability to meet Your payment obligations is impaired because of a material change in Your financial circumstances; (7) Governmental action precludes Our imposing the Interest Rate provided herein or adversely affects the priority of Our Security interest such that the value of Our interest is less than 120% of Your Maximum Credit Limit; (8) the maximum interest rate under this plan is reached; or (9) Government regulatory authorities find that further advances under this plan constitute an unsafe and unsound practice. When the condition, which caused the suspension of advances or reduction of Your Maximum Credit Limit no longer, exists, the original terms of this Agreement will be reinstated. You understand that if Your right to request additional advances is suspended or Your Maximum Credit Limit is reduced, You still owe us whatever sums You have already borrowed, all other charges under this Agreement and applicable Finances Charges.

Termination: If you fail to meet the terms of repayment, or if You act or fail to act in a way that adversely affects Our security interest or other rights in the Security Property (including a failure to pay real

estate taxes, death of all persons liable on the account, transfer of title or sale of the Security Property, creation of senior lien on the security lien without Our permission or foreclosure by the holder of another lien), or if You have committed fraud or made a material misrepresentation in connection with the Account, We may terminate this Agreement and require You to pay Us the outstanding balance in one payment or, subject to the Governing Law, cause the Security property to be sold and the proceeds of sale to be applied to Your obligation to Us. To the extent permitted by law, You agree to pay any reasonable costs of protecting, retaking, repairing and selling the Security Property, including attorneys' fees.

Refundability of Fees: If you decide not to enter into this plan within three days of receiving this disclosure and the Home Equity booklet, you are entitled to a refund of any fee you may have already paid.

Minimum Payment Requirements: You can obtain advances of credit for 10 years (the "Draw Period") from the date the account was opened. After the draw period ends, you will no longer be able to obtain credit advances, unless We allow you to extend or renew the draw period or You may be able to refinance the accrued balance. After the draw period ends, the non-draw period (the "repayment period") begins. The length of the repayment period will not exceed 10 years. You agree to pay Essential FCU on or before the due date listed on your statement each month the greater of (a) a Minimum Monthly Payment sufficient to repay Your Account Balance and all Finance Charges within 120 months

from the date of the advance or (b) a Minimum Monthly Payment in accordance with the schedules enclosed. The applicable schedule is determined by Your Account Balance as of Your last advance, and the ANNUAL PERCENTAGE RATE as it may change from time to time. For example, if You borrowed \$10,000 and the ANNUAL PERCENTAGE RATE is 10%, Schedule 1 is applicable and Your Minimum Monthly Payment would be \$175. If the ANNUAL PERCENTAGE RATE increases to 15%, Schedule 2 is applicable; Your Minimum Monthly Payment does not reduce as Your Account is repaid. However, any increase in Your unpaid Account Balance will result in a Minimum Monthly Payment based on the total that You owe at the time of such advance. You will receive at least 15 days notice of any change in Your Minimum Monthly Payment. Payments will be applied first to subsequent payments and will not be added to the principal. You may make more frequent payments, which will reduce Your Finance Charges. You may also repay all or any portion of the amounts You owe at any time without penalty. In any event, any balance outstanding on Your Account must be paid in full not later than the Agreement Maturity Date. You understand that YOUR final payment may be larger than Your scheduled payment. All payments to Us must be lawful money of the United States.

Fees and Charges: To open a Essential FCU Gold VISA and maintain a Line of Credit, You may be required to pay certain fees to third parties. These fees are outlined in a Essential FCU form Good

Faith Estimates of Settlement Costs that you will receive at the time of your application processing. If your payment is made more than 15 days after the due date, you will be charged 20% of interest due or a \$25 minimum overdue payment. These fees paid to open a Essential FCU Gold VISA are refundable if you decide not to open an account or, if you do open an account, and cancel within three (3) business days of executing all documents pledging your home as security for payment of the line of credit.

Minimum Advance and Balance

Requirements: There is a minimum of an initial \$15,000 Draw applied to Your account when it is opened. There are no other balance requirements for any cash and/or other advance applied to Your Line of Credit. There are no limitations on the number of advances You can take.

Tax Deductibility: You should consult a tax advisor regarding the deductibility of interest and charges under the account.

Variable - Rate Feature: The account has a variable-rate feature, and the annual percentage rate and the minimum monthly payment 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 Interest Rate published in the Money Rates Section of the Wall Street Journal (in case of more than one Prime Interest Rate or a range of Prime Interest Rates, the highest shall apply). To determine the annual percentage rate that will apply to Your account, We add a margin to the value of the Index. Ask Essential FCU for the

current Index value, margin and annual percentage rate. After You open an account, rate information will be provided on periodic statements that We send You. The margin as of the date this disclosure was prepared is 0.00% or 1.00%, depending on the loan-to-value ratio of your home.

Rate Changes: The annual percentage rate can change monthly. There is no limit on the amount by which the rate can change during any one-year period. The maximum ANNUAL PERCENTAGE RATE that can apply during the plan is 18%. The minimum rate at any time is 5.5%. Ask Us for specific rate limitations that apply to Your account.

Grace Period: There is no grace period for charges under this program. Interest begins to accrue at the time of purchase or cash advance.

Maximum Rate and Payment Examples: If you made only the minimum monthly payment and took no other credit advances, it would take 10 year(s) to pay off a credit advance of \$10,000 at an ANNUAL PERCENTAGE RATE of 10.5%. During that period, you would make 119 payment(s) varying between \$151.31 and \$71.09, with a final payment of \$4,709.08.

**HOME EQUITY LINE OF CREDIT
HISTORICAL APR TABLE**

Essential FCU's Home Equity Line of Credit account has a variable-rate feature that is based on an index, as determined by the Prime Interest Rate published in the Money Rates Section of the Wall Street Journal, and the annual percentage rate and the minimum monthly payment can change as a result. The annual percentage rate can change monthly. There is no limit on the amount by which the

rate can change during any one-year period. The maximum ANNUAL PERCENTAGE RATE that can apply during the plan is 18%. The minimum rate at any time is 5.5%.

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 10 years. The index values are from the first week ending in July of each year. Only the average monthly payment is shown in the table for each year. Actual monthly payments would have varied. The table assumes that no additional credit advances were taken and that only the minimum payment was made each month. The table also assumes that the payments are deducted from one of your Essential FCU accounts. It does not necessarily indicate how the index of your payments to your Home Equity Line of Credit would change in the future.

Year	Index (%)*	Margin (%)**	Annual % RATE	Avg. Mo. Payment***
1996	8.25	-.15	8.1	96.21
1997	8.5	-.15	8.35	88.63
1998	8.25	-.15	8.1	81.56
1999	8	-.15	7.85	75.15
2000	9.5	-.15	9.35	69.41
2001	6.75	-.15	6.6	63.47
2002	4.75	-.15	5.5	59.15
2003	4	-.15	5.5	55.96
2004	4.25	-.15	5.5	52.96
2005	6.25	-.15	6.1	50.11
2006	8.25	-.15	8.1	47.12
2007	7.75	-.15	7.6	43.60
2008	5	-.15	5.5	40.35
2009	3.25	-.15	5.5	38.07
2010	3.25	-.15	5.5	36.02

*This is the Wall Street Journal Prime Rate as July of the corresponding year.

**This table is based on Essential Federal Credit Union's margin of .15% below Prime, with a floor of 5.50%.

***Balance at the end of year 15 is \$3,495.99