



Diamond Federal Credit Union
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Line-of-Credit Predisclosure

IMPORTANT TERMS OF OUR HOME EQUITY LINE OF CREDIT

This disclosure contains important information about your Home Equity Open-End Credit Plan. 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 any of 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 paid to us or anyone else in connection with your application.

Security Interest: We will take a security interest in your home through a Mortgage. You could lose your home if you do not meet the obligations in your agreement with us.

Possible Actions:

Termination and Acceleration

We can terminate the Home Equity Open-End Credit Plan and require you to pay us the entire outstanding balance in one payment and charge you certain fees if:

- (a) you commit fraud or material misrepresentation at any time in connection with this Plan;
- (b) you do not meet the repayment terms of this Plan;
- (c) your action or inaction adversely affects the collateral for the Plan or our rights in the collateral.

Suspension or Reduction

We can refuse to make additional extensions of credit or reduce your credit line if:

- (a) the value of your dwelling declines significantly below its appraised value for purposes of this Plan;
- (b) we reasonably believe that you will not be able to meet the repayment requirements due to a material change in your financial circumstances;
- (c) you are in default of a material obligation of this Plan;
- (d) government action prevents us from imposing the **ANNUAL PERCENTAGE RATE** provided for under this Plan or impairs our security interest such that the value of the interest is less than 120 percent of the credit line;
- (e) a regulatory agency has notified us that continued advances would constitute an unsafe and unsound practice;
- (f) the maximum **ANNUAL PERCENTAGE RATE** under this Plan is reached.

Change in Terms

Our home equity credit agreement permits us to make certain changes to the terms of this Plan at specified times or upon the occurrence of specified events.

Minimum Payment Requirements: You can obtain credit advances for 7 years (the "draw phase") from the date of the agreement. During this phase, payments will be due monthly. Your minimum monthly payment will equal 1% of the principal balance outstanding or \$75.00, whichever is greater.

After the draw phase ends, you will no longer be able to obtain credit advances and must pay the outstanding balance on your line of credit (the "repayment phase"). The length of the repayment phase is 15 years. During the repayment phase, payments will be due monthly. Your minimum monthly payment will equal an amortized payment of the loan account balance or \$75.00, whichever is greater. This balance will be amortized over 180 months. The minimum payment will change whenever the annual percentage rate changes. Your loan payments will recalculate each month in order for your loan to be paid in full during the repayment phase.

Negative Amortization: Under some circumstances, your payments 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.

Minimum Payment Example: If you made only the minimum monthly payment and took no other credit advances, it would take 17 year(s) and 9 months to pay off a credit advance of \$10,000 at an **ANNUAL PERCENTAGE RATE** of 6.75%. During that phase, you would make 84 payments varying between \$100.00 and \$75.00 followed by 128 payments of \$75.00, with a final payment of \$74.27.

Fees and Charges: To open and maintain an account, you must pay the following fees to us:

Late Charges: If your payment is more than 15 days late, you will be charged 4.00% of the minimum payment due.

Stop Payment Charge: If you request a stop payment of a check (including special checks), you will have to pay a fee of \$25.00. If you request a stop payment of a series of checks, you will be charged \$25.00.

Returned Check Charge: \$32.00

To open your account, you must pay certain fees to third parties such as appraisers, credit reporting firms, and government agencies. These fees generally total between \$150.00-\$900.00. Upon request, we will provide you with an itemization of the fees you will have to pay to third parties.

You must carry insurance on the property that secures this Plan.

Automatic Deduction: Your rate will be 0.25 percentage points lower than the initial rate disclosed if you authorize us to automatically deduct the minimum monthly payment from any Diamond Federal Credit Union account or if payments are set up as a recurring ACH payment from another financial institution. We will do this on the payment due date shown on the monthly billing statement. If the balance in your Diamond Federal Credit Union account or other financial institution account is not enough to cover this payment, we will notify you of this with a delinquency notice, and you will be obligated to pay at least the minimum amount shown on the payment due date. If, at any time during the term of this Agreement, the automatic payment authorization is cancelled, the interest rate charges on the Home Equity Line of Credit will increase by 0.25 percentage points and this new rate will become effective on the next full billing cycle after cancellation.

Access to the Plan: You may obtain advances under your plan by mail, by AVR Phone System, by internet transfer, by special check, or in person.

Transaction Requirements: The minimum requirement for initial advances and subsequent advances is \$250.00.

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

Promotional Discount Rate: A promotional discounted rate may be available under this Plan. Ask us for more information.

Refundability of Fees: If you decide not to enter into this Plan within three business days of receiving this disclosure and the handbook entitled "What You Should Know About Home Equity Lines of Credit," you are entitled to a refund of any fees you may have already paid.

Variable Rate Feature: This Plan has a variable rate and the **ANNUAL PERCENTAGE RATE** and corresponding periodic rate and minimum 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 highest rate of interest identified as the 'Prime Rate' in the 'Money Rates' section of the Wall Street Journal in effect as of the last business day of each month. To determine the **ANNUAL PERCENTAGE RATE** that will apply to your account, we add a margin based on your creditworthiness and Loan- to-Value (LTV) Ratio to the value of the index.

Ask us for the current index value, margins and **ANNUAL PERCENTAGE RATES**. After you open an account, rate information will be provided on periodic statements that we send you.

Rate Changes: The annual percentage rate can change monthly. There is no limit on the amount by which the rate can change in any one year period. The **ANNUAL PERCENTAGE RATE** can not increase by more than 6 percentage points above the initial index plus margin rate. The maximum **ANNUAL PERCENTAGE RATE** that can apply is 18%. The minimum **ANNUAL PERCENTAGE RATE** that can apply during the Plan is 4%. If the initial **ANNUAL PERCENTAGE RATE** is discounted, the rate is not based on the index and margin which is used for later **ANNUAL PERCENTAGE RATE** adjustments. Any change in the **ANNUAL PERCENTAGE RATE** will be applicable to the then outstanding balance on the Plan and to any subsequent advances or extensions of credit, until the **ANNUAL PERCENTAGE RATE** changes again. Any increase in the **ANNUAL PERCENTAGE RATE** will result in more of the payment being applied to interest.

Maximum Rate and Payment Example: If you had an outstanding balance of \$10,000 at the beginning of the draw phase, the minimum monthly payment at the maximum **ANNUAL PERCENTAGE RATE** of 12.75% would be \$100.00. The maximum annual percentage rate during the draw phase, could be reached in the 1st month (1 month).

If you had an outstanding balance of \$10,000 at the beginning of the repayment phase, the minimum monthly payment at the maximum **ANNUAL PERCENTAGE RATE** of 12.75% would be \$124.88. The maximum **ANNUAL PERCENTAGE RATE** could be reached during the repayment phase in the 2nd month (2 months).

Prepayment: You may prepay all or any amounts owing under this Plan without penalty.

Historical Example: The following table shows how the percentage rate and the minimum 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 first Monday in February. If the first Monday is a holiday then the index values are from the first business day following that Monday.

The table assumes that no additional credit advances were taken and that only the minimum payment was made. It does not necessarily indicate how the index or your payments would change in the future.

YEAR	INDEX (%)	MARGIN (1) (Percent)	ANNUAL PERCENTAGE RATE	MONTHLY PAYMENT (Dollars)
2012	3.25	0.00	4.00 (2)(3)	\$100.00
2013	3.25	0.00	4.00 (3)	\$92.29
2014	3.25	0.00	4.00 (3)	\$85.17
2015	3.25	0.00	4.00 (3)	\$78.60
2016	3.50	0.00	4.00 (3)	\$75.00
2017	3.75	0.00	4.00 (3)	\$75.00
2018	4.50	0.00	4.50	\$75.00
2019 (4)	5.50	0.00	5.50	\$75.00
2020	4.75	0.00	4.75	\$75.00
2021	3.25	0.00	4.00 (3)	\$75.00
2022	3.25	0.00	4.00 (3)	\$75.00
2023	7.75	0.00	7.75	\$75.00
2024	8.50	0.00	8.50	\$75.00
2025	7.50	0.00	7.50	\$75.00
2026	6.75	0.00	6.75	\$75.00

1. This is a margin we have used recently; your margin may be different and based on your creditworthiness and LTV Ratio.

2. There may be a discounted rate for a period of time within the first year.

3. This rate reflects a lifetime floor of 4.00%

4. The repayment phase begins in this year.