

ADJUSTABLE RATE MORTGAGE LOAN PROGRAM DISCLOSURE: EQUITY LINE OF CREDIT – PRIME RATE



This disclosure describes the features of the Adjustable Rate Mortgage Loan (ARM) Program you are considering with San Diego County Credit Union (SDCCU®). Information on other programs is available upon request.

AVAILABILITY OF TERMS: All of the terms described below are subject to change (other than the **ANNUAL PERCENTAGE RATE**) and if 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.

PROGRAMS: Plan A refers to our 70% combined loan-to-value (CLTV) program. Plan B refers to our 80% CLTV program.

SECURITY INTEREST: SDCCU 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.

POSSIBLE ACTIONS: Under certain circumstances, we can: (1) terminate your line of credit, require you to pay us the entire outstanding balance in one payment and charge you certain fees; (2) refuse to make an additional extension of credit; and (3) reduce your credit limit. If you ask, we will give you more specific information concerning when we can take these actions.

TAX DEDUCTIBILITY: You should consult a tax advisor regarding the deductibility of interest and charges for your line of credit.

INSURANCE: You must carry hazard insurance and flood insurance, if applicable, on the property for the life of the loan.

MINIMUM PAYMENT REQUIREMENTS: You may obtain advances of credit for ten years. This is called the "Draw Period." During the Draw Period, payments will be due monthly. You can choose one of the two payment options for the Draw Period:

- **Monthly interest-only payments. Available only for Plan A.** Under this option, your payments will be due monthly and will equal the finance charges that accrued on the outstanding balance during the preceding month or \$100, whichever is greater. An interest-only payment will not reduce the principal that is outstanding on your line.
- **1.00% of the balance. Available for Plans A and B.** Under this option your payments will be due monthly and will equal 1.00% of the outstanding principal balance or \$100, or outstanding finance charge, whichever is greater, unless the amount that you owe is less, in which case that will be the minimum monthly payment.

After the Draw Period ends, you will no longer be able to obtain credit advances and must pay the outstanding balance over ten (10) years. This is called the "Repayment Period." Your minimum monthly payment during the Repayment Period may be the same as the Draw Period payment options shown above. An interest-only payment during the Repayment Period will not reduce the principal that is outstanding on your line. If you choose an interest-only option, you will be required to pay the entire remaining balance in a single "balloon" payment at the end of the Repayment Period.

MINIMUM PAYMENT EXAMPLE:

- If you took a single \$10,000 advance and the **ANNUAL PERCENTAGE RATE**, based on a recent index, was 4.50% under **Plan A**; it would take 126 months to pay off the advance if you made only the minimum payments under the monthly interest-only option and the 1.00% of the balance payment option. During that period, you would make 125 payments of \$100 and one payment of \$58.78.
- If you took a single \$10,000 advance and the **ANNUAL PERCENTAGE RATE**, based on a recent index, was 5.00% under **Plan B**; it would take 130 months to pay off the advance if you made only the minimum payments under the 1.00% of the balance payment option. During that period, you would make 129 payments of \$100 and one payment of \$65.12.

The minimum periodic payment would not fully repay the principal that is outstanding on your line, therefore you would owe a balloon payment.

ADJUSTABLE RATE INFORMATION: This line of credit has an adjustable rate feature and the **ANNUAL PERCENTAGE RATE**, corresponding to the periodic rate, can change as a result. The **ANNUAL PERCENTAGE RATE** includes only interest and no other costs.

The **ANNUAL PERCENTAGE RATE** is based on the value of an index. To determine the **ANNUAL PERCENTAGE RATE** on your line of credit, we add a margin to the value of the index. The index is based on the highest printed Prime Rate of interest in the "Money Rates" column of the West Coast Edition of the *Wall Street Journal* published on the 15th of each month or the next business day.

PROMOTIONAL OFFERS: The **INITIAL ANNUAL PERCENTAGE RATE** is "discounted" – it is not based on the index and the margin used for later rate adjustments. The initial rate will be in effect for the **first twelve months** your credit line is open, if applicable.

Ask us for the current index value, margin and **ANNUAL PERCENTAGE RATE**. After you open a line of credit, interest rate information will be provided on periodic statements that we will send you.

RATE CHANGES: The **ANNUAL PERCENTAGE RATE** can change monthly on the next business day following the cycle date. The **ANNUAL PERCENTAGE RATE** is limited to an increase of 12.00%, under **Plans A and B** over the life of loan with no limit to the amount by which the rate can change during any period. The **ANNUAL PERCENTAGE RATE** may not decrease below 4.00%, under **Plans A and B** over the life of the loan. Please ask for the specific rate limitations that will apply to your line of credit.

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MAXIMUM RATE AND PAYMENT EXAMPLE:

- If you had an outstanding balance of \$10,000 during the term of your line of credit, the minimum payment under the monthly interest-only option and the 1.00% of the balance payment option at the maximum **ANNUAL PERCENTAGE RATE** of **16.50%** under **Plan A** would be \$131.10. The minimum payment under the 1.00% of the balance payment option at the maximum **ANNUAL PERCENTAGE RATE** of **17.00%** under **Plan B** would be \$135.07. These **ANNUAL PERCENTAGE RATES** could be reached in the first month.

HISTORICAL EXAMPLE: The following tables show 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 for **Plans A and B**. The index values are the highest printed per annum Prime Rate of interest from the 15th of January of each year. While only one payment per year is shown, payments may have varied during each year.

The following tables assume 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.

Historical example of a loan originated under Plans A and B in 2002 as shown in the table below:

*Index value is from the first month of each year based on Wall Street Prime.

**This is the margin we have recently used.

YEAR	*INDEX WSP %	**PLAN A MARGIN %	ANNUAL PERCENTAGE RATE %	MONTHLY INTEREST-ONLY PAYMENT	MONTHLY 1% of BALANCE PAYMENT
2002	4.75%	1.00%	5.75%	\$100.00	\$100.00
2003	4.25%	1.00%	5.25%	\$100.00	\$100.00
2004	4.00%	1.00%	5.00%	\$100.00	\$100.00
2005	5.25%	1.00%	6.25%	\$100.00	\$100.00
2006	7.25%	1.00%	8.25%	\$100.00	\$100.00
2007	8.25%	1.00%	9.25%	\$100.00	\$100.00
2008	7.25%	1.00%	8.25%	\$100.00	\$100.00
2009	3.25%	1.00%	4.25%	\$100.00	\$100.00
2010	3.25%	1.00%	4.25%	\$100.00	\$100.00
2011	3.25%	1.00%	4.25%	\$100.00	\$100.00
2012	3.25%	1.00%	4.25%		
2013	3.25%	1.00%	4.25%		
2014	3.25%	1.00%	4.25%		
2015	3.25%	1.00%	4.25%		
2016	3.50%	1.00%	4.50%		

DRAW PERIOD

REPAYMENT PERIOD

YEAR	*INDEX WSP %	**PLAN B MARGIN %	ANNUAL PERCENTAGE RATE %	MONTHLY 1% of BALANCE PAYMENT
2002	4.75%	1.50%	6.25%	\$100.00
2003	4.25%	1.50%	5.75%	\$100.00
2004	4.00%	1.50%	5.50%	\$100.00
2005	5.25%	1.50%	6.75%	\$100.00
2006	7.25%	1.50%	8.75%	\$100.00
2007	8.25%	1.50%	9.75%	\$100.00
2008	7.25%	1.50%	8.75%	\$100.00
2009	3.25%	1.50%	4.75%	\$100.00
2010	3.25%	1.50%	4.75%	\$100.00
2011	3.25%	1.50%	4.75%	\$100.00
2012	3.25%	1.50%	4.75%	
2013	3.25%	1.50%	4.75%	
2014	3.25%	1.50%	4.75%	
2015	3.25%	1.50%	4.75%	
2016	3.50%	1.50%	5.00%	

REPAYMENT PERIOD