Solar Home Equity Line of Credit

(Adjustable Rate) (Prime Rate Program)

IMPORTANT TERMS OF TECHNOLOGY CREDIT UNION'S SOLAR HOME EQUITY LINE OF CREDIT—PRIME RATE PROGRAM

This disclosure contains important information about our Equity Line of Credit—Prime Rate Program. You should read it carefully and keep a copy for your records. You will find other essential information in this brochure and in the loan note itself.

Availability of Terms: All of the terms described below are subject to change prior to a final decision on your loan application. 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 you paid to us or anyone else in connection with your application.

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

Possible Actions: We can terminate your loan account and require you to pay us the entire outstanding balance in one payment and also charge you certain fees for any one of the following reasons:

- You engage in fraud or material misrepresentation in connection with this line of credit.
- You do not make payments as scheduled.
- The security for the loan is impaired. We can also refuse to make additional extensions of credit, or reduce your credit limit, if:
  - The security is worth significantly less than its value at the time you applied for the line of credit.
  - Your financial circumstances have materially changed.
  - You are in default in a material obligation under the line of credit agreement.
  - Government action prevents us from continuing to use the annual percentage rate formula or making further loan advances under the account terms.
  - A governmental agency takes some action that has the effect of impairing our security interest in your home, such as the imposition of a tax lien.
  - The maximum annual percentage rate provided under the formula is reached.
  - A regulatory agency advises us that further extensions of credit would be unsafe and unsound under the circumstances.
  - Two years have passed since the signing of the line of credit agreement.

The line of credit agreement allows the lender to make certain changes to the terms of the agreement at specified times or upon the occurrence of specified events such as your default.

Minimum Advance and Maximum Credit Limit: There is no minimum advance amount. Your credit limit will be set in accordance with our loan policy. The maximum credit limit you can obtain is $75,000.

Minimum Payment Requirements: Your minimum monthly payment varies with the amount borrowed and with fluctuations in the annual percentage rate. You can obtain loan advances for two years. During the draw period, the payment will equal the finance charges that accrued on the outstanding balance during the preceding month. No principal is included in this minimum payment amount. The interest rate is fixed during the two-year draw period and payments will increase only if new advances are taken. During the thirteen-year repayment period, increases in the interest rate will increase the minimum payment only if the current payment is not sufficient to fully amortize the outstanding balance over the time remaining in the repayment period. During the repayment period, decreases in the interest rate will not decrease the payment amount. Rate decreases during the repayment period may result in early loan payoff.

Minimum Payment Example: If you made only the minimum monthly payments and took no other credit advances, it would take 20 years to pay off a credit advance of $10,000. If your introductory ANNUAL PERCENTAGE RATE during the draw period is 3.75% and the ANNUAL PERCENTAGE RATE during the repayment period remains constant at 4.75%, you will make 24 payments of $31.25 followed by 206 monthly payments of $71.11 and a final payment of $70.25.

Fees and Charges: The Credit Union will absorb fees associated with opening your Solar Home Equity Line of Credit Account, estimated to be $550.00. If you close your line within two years of opening it, an early closing fee of $500 will be added to your loan balance. You must carry insurance on the property that secures this loan.

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

Variable-Rate Information: The line has a variable-rate feature, and the annual percentage rate (APR) and the minimum payment can change as a result. The annual percentage rate includes only interest. Other costs are not included. The APR is calculated monthly on the 24th day of each month by adding an index to a margin. The index is the highest commercial prime rate correctly published in the Wall Street Journal, Western Edition, on the 15th day of the month prior to the rate change. (If the 15th is not a business day, the prime rate published on the next business day will be used.) To obtain the APR that will apply to your account, we add a margin to the index. The margin assigned to your account will depend on factors we may lawfully consider such as the loan-to-value ratio on your property and your credit history. Ask us for the current index value, margins and annual percentage rates. After you open a Line of Credit, rate information will be provided on periodic statements that we will send you.

Rate Changes: During the two year draw period, the ANNUAL PERCENTAGE RATE will be fixed. During the repayment period, the ANNUAL PERCENTAGE RATE will adjust with changes in the index, will not exceed 18% (the lifetime cap). Otherwise, no limits apply to rate adjustments during the repayment period. The introductory rate is not based on the index and margin applicable to your line of credit. At the end of the discount period, your rate will adjust to equal the index then in effect plus the margin assigned to your line of credit, subject to the applicable lifetime floor and cap.

Maximum Rate and Payment Examples: If you had an outstanding balance of $10,000, the minimum monthly payments at a hypothetical maximum ANNUAL PERCENTAGE RATE of 18% would be $154.67. This maximum ANNUAL PERCENTAGE RATE and payment could be reached during the 25th month after opening your line of credit or at any other rate adjustment during the repayment period.

Historical Example: This 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 20 years. The index values are from January of each year. While only one payment amount per year is shown, payments would have varied during the year. The table assumes that no additional credit advances were taken and that only the initial minimum payment was made each month. It does not necessarily indicate how the index or your payments would change in the future. The margin is one used recently. A copy of this disclosure is part of the loan agreement.

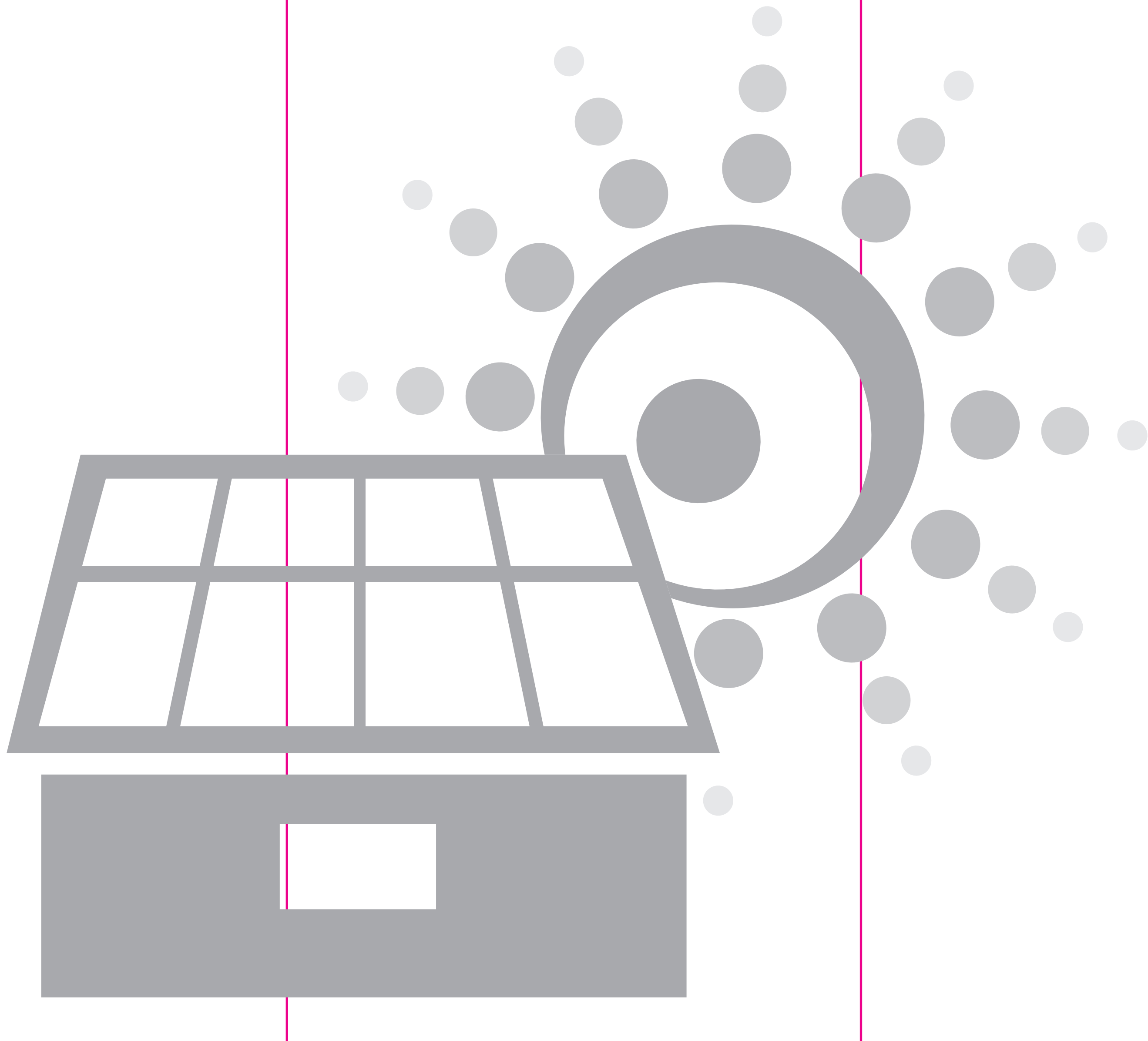
	YEAR	PRIME RATE	MARGIN	ANNUAL PERCENTAGE RATE	MINIMUM PAYMENT
	1994	6.00%	0.00%	3.75%[4]	$33.33
Draw Period[1]	1995	8.50%	0.00%	3.75%[4]	$100.04
Repayment Period[2]	1996	8.75%	1.50%	10.25%	$101.63
	1997	8.25%	1.50%	9.75%	$101.63[3]
	1998	8.50%	1.50%	10.00%	$101.63[3]
	1999	7.75%	1.50%	9.25%	$101.63[3]
	2000	8.50%	1.50%	10.00%	$101.63[3]
	2001	9.50%	1.50%	11.00%	$102.78
	2002	4.75%	1.50%	6.25%	$102.78[3]
	2003	4.25%	1.50%	5.75%	$102.78[3]
	2004	4.00%	1.50%	5.50%	$102.78[3]
	2005	5.25%	1.50%	6.75%	$102.78[3]
	2006	7.25%	1.50%	8.75%	$102.78[3]
	2007	8.25%	1.50%	9.75%	$102.78[3]
	2008	7.25%	1.50%	8.75%	$102.78[3]
	2009	4.00%	1.50%	5.50%	$102.78[3]
	2010	3.25%	1.50%	4.75%	$102.78[3]
	2011	3.25%	1.50%	4.75%	$102.78[3]
	2012	3.25%	1.50%	4.75%	$102.78[3]
	2013	3.25%	1.50%	4.75%	$102.78[3]

1 Minimum payments during the draw period include finance charges only.

2 Minimum payments during the repayment period include principal and finance charges.

3 During repayment period, decreases in interest rate do not result in corresponding decreases in payment amount.

4 2 year fixed rate period.



What is a home equity line of credit?

A home equity line of credit is a form of revolving credit in which your home serves as collateral. Because a home often is a consumer's most valuable asset, many homeowners use home equity credit lines only for major items, such as education, home improvements, or medical bills, and choose not to use them for day-to-day expenses.

With a home equity line, you will be approved for a specific amount of credit. Many lenders set the credit limit on a home equity line by taking a percentage (say, 75%) of the home's appraised value and subtracting from that the balance owed on the existing mortgage. For example:

Appraised value of home	$100,000
Percentage	x 75%
Percentage of appraised value	= $ 75,000
Less balance owed on mortgage	– $ 40,000
Potential line of credit	$ 35,000

In determining your actual credit limit, the lender will also consider your ability to repay the loan (principal and interest) by looking at your income, debts, and other financial obligations as well as your credit history.

Many home equity plans set a fixed period during which you can borrow money, such as 10 years. At the end of this "draw period," you may be allowed to renew the credit line. If your plan does not allow renewals, you will not be able to borrow additional money once the period has ended. Some plans may call for payment in full of any outstanding balance at the end of the period. Others may allow repayment over a fixed period (the "repayment period"), for example, 10 years.

Once approved for a home equity line of credit, you will most likely be able to borrow up to your credit limit whenever you want. Typically, you will use special checks to draw on your line. Under some plans, borrowers can use a credit card or other means to draw on the line.

There may be other limitations on how you use the line. Some plans may require you to borrow a minimum amount each time you draw on the line (for example, $300) or keep a minimum amount outstanding. Some plans may also require that you take an initial advance when the line is set up.

What should you look for when shopping for a plan?

If you decide to apply for a home equity line of credit, look for the plan that best meets your particular needs. Read the credit agreement carefully, and examine the terms and conditions of various plans, including the annual percentage rate (APR) and the costs of establishing the plan. Remember, though, that the APR for a home equity line is based on the interest rate alone and will not reflect closing costs and other fees and charges, so you'll need to compare these costs, as well as the APRs, among lenders.

Variable interest rates

Home equity lines of credit typically involve variable rather than fixed interest rates. The variable rate must be based on a publicly available index (such as the prime rate published in some major daily newspapers or a U.S. Treasury bill rate). In such cases, the interest rate you pay for the line of credit will change, mirroring changes in the value of the index. Most lenders cite the interest rate you will pay as the value of the index at a particular time, plus a "margin," such as 2 percentage points. Because the cost of borrowing is tied directly to the value of the index, it is important to find out which index is used, how often the value of the index changes, and how high it has risen in the past. It is also important to note the amount of the margin.

Lenders sometimes offer a temporarily discounted interest rate for home equity lines—an "introductory" rate that is unusually low for a short period, such as 6 months.

Variable-rate plans secured by a dwelling must, by law, have a ceiling (or cap) on how much your interest rate may increase over the life of the plan. Some variable-rate plans limit how much your payment may increase and how low your interest rate may fall if the index drops.

Some lenders allow you to convert from a variable interest rate to a fixed rate during the life of the plan, or let you convert all or a portion of your line to a fixed-term installment loan.

Costs of establishing and maintaining a home equity line

Many of the costs of setting up a home equity line of credit are similar to those you pay when you get a mortgage. For example:

- A fee for a property appraisal to estimate the value of your home;
- An application fee, which may not be refunded if you are turned down for credit;
- Up-front charges, such as one or more "points" (one point equals 1 percent of the credit limit); and
- Closing costs, including fees for attorneys, title search, mortgage preparation and filing, property and title insurance, and taxes.

In addition, you may be subject to certain fees during the plan period, such as annual membership or maintenance fees and a transaction fee every time you draw on the credit line.

You could find yourself paying hundreds of dollars to establish the plan. And if you were to draw only a small amount against your credit line, those initial charges would substantially increase the cost of the funds borrowed. On the other hand, because the lender's risk is lower than for other forms of credit, as your home serves as collateral, annual percentage rates for home equity lines are generally lower than rates for other types of credit. The interest you save could offset the costs of establishing and maintaining the line. Moreover, some lenders waive some or all of the closing costs.

How will you repay your home equity plan?

Before entering into a plan, consider how you will pay back the money you borrow. Some plans set a minimum monthly payment that includes a portion of the principal (the amount you borrow) plus accrued interest. But, unlike with typical installment loan agreements, the portion of your payment that goes toward principal may not be enough to repay the principal by the end of the term. Other plans may allow payment of interest only during the life of the plan, which means that you pay nothing toward the principal. If you borrow $10,000, you will owe that amount when the payment plan ends.

Regardless of the minimum required payment on your home equity line, you may choose to pay more, and many lenders offer a choice of payment options. Many consumers choose to pay down the principal regularly as they do with other loans. For example, if you use your line to buy a boat, you may want to pay it off as you would a typical boat loan.

Whatever your payment arrangements during the life of the plan—whether you pay some, a little, or none of the principal amount of the loan—when the plan ends, you may have to pay the entire balance owed, all at once. You must be prepared to make this "balloon payment" by refinancing it with the lender, by obtaining a loan from another lender, or by some other means. If you are unable to make the balloon payment, you could lose your home.

If your plan has a variable interest rate, your monthly payments may change. Assume, for example, that you borrow $10,000 under a plan that calls for interest-only payments. At a 10% interest rate, your monthly payments would be $83. If the rate rises over time to 15%, your monthly payments will increase to $125. Similarly, if you are making payments that cover interest plus some portion of the principal, your monthly payments may increase, unless your agreement calls for keeping payments the same throughout the plan period.

If you sell your home, you will probably be required to pay off your home equity line in full immediately. If you are likely to sell your home in the near future, consider whether it makes sense to pay the up-front costs of setting up a line of credit. Also keep in mind that renting your home may be prohibited under the terms of your agreement.

Lines of credit vs. traditional second mortgage loans

If you are thinking about a home equity line of credit, you might also want to consider a traditional second mortgage loan. This type of loan provides you with a fixed amount of money, repayable over a fixed period. In most cases, the payment schedule calls for equal payments that pay off the entire loan within the loan period. You might consider a second mortgage instead of a home equity line if, for example, you need a set amount for a specific purpose, such as an addition to your home.

In deciding which type of loan best suits your needs, consider the costs under the two alternatives. Look at both the APR and other charges. Do not, however, simply compare the APRs, because the APRs on the two types of loans are figured differently:

- The APR for a traditional second mortgage loan takes into account the interest rate charged plus points and other finance charges.
- The APR for a home equity line of credit is based on the periodic interest rate alone. It does not include points or other charges.

Disclosures from lenders

The federal Truth in Lending Act requires lenders to disclose the important terms and costs of their home equity plans, including the APR, miscellaneous charges, the payment terms, and information about any variable-rate feature. And in general, neither the lender nor anyone else may charge a fee until after you have received this information. You usually get these disclosures when you receive an application form, and you will get additional disclosures before the plan is opened. If any term (other than a variable-rate feature) changes before the plan is opened, the lender must return all fees if you decide not to enter into the plan because of the change.

When you open a home equity line, the transaction puts your home at risk. If the home involved is your principal dwelling, the Truth in Lending Act gives you 3 days from the day the account was opened to cancel the credit line. This right allows you to change your mind for any reason. You simply inform the lender in writing within the 3-day period. The lender must then cancel its security interest in your home and return all fees—including any application and appraisal fees—paid to open the account.

What if the lender freezes or reduces your line of credit?

Plans generally permit lenders to freeze or reduce a credit line if the value of the home "declines significantly" or, when the lender "reasonably believes" that you will be unable to make your payments due to a "material change" in your financial circumstances. If this happens, you may want to:

- **Talk with your lender.** Find out what caused the lender to freeze or reduce your credit line and what, if anything, you can do to restore it. You may be able to provide additional information to restore your line of credit, such as documentation showing that your house has retained its value or that there has not been a "material change" in your financial circumstances. You may want to get copies of your credit reports (go to the Federal Trade Commission's website, at www.c.gov/freereports, for information about free copies) to make sure all the information in them is correct. If your lender suggests getting a new appraisal, be sure you discuss appraisal firms in advance so that you know they will accept the new appraisal as valid.
- **Shop around for another line of credit.** If your lender does not want to restore your line of credit, shop around to see what other lenders have to offer. You may be able to pay off your original line of credit and take out another one. Keep in mind, however, that you may need to pay some of the same application fees you paid for your original line of credit.

Glossary

Annual membership or maintenance fee

An annual charge for access to a financial product such as a line of credit, credit card, or account. The fee is charged regardless of whether or not the product is used.

Annual percentage rate (APR)

The cost of credit, expressed as a yearly rate. For closed-end credit, such as car loans or mortgages, the APR includes the interest rate, points, broker fees, and other credit charges that the borrower is required to pay. An APR, or an equivalent rate, is not used in leasing agreements.

Application fee

Fees charged when you apply for a loan or other credit. These fees may include charges for property appraisal and a credit report.

Balloon payment

A large extra payment that may be charged at the end of a mortgage loan or lease.

Cap (interest rate)

A limit on the amount that your interest rate can increase. Two types of interest-rate caps exist. Periodic adjustment caps limit the interest-rate increase from one adjustment period to the next. Lifetime caps limit the interest-rate increase over the life of the loan. By law, all adjustable-rate mortgages have an overall cap.

Closing or settlement costs

Fees paid when you close (or settle) on a loan. These fees may include application fees; title examination, abstract of title, title insurance, and property survey fees; fees for preparing deeds, mortgages, and settlement documents; attorneys' fees; recording fees; estimated costs of taxes and insurance; and notary, appraisal, and credit report fees. Under the Real Estate Settlement Procedures Act, the borrower receives a good faith estimate of closing costs within three days of application. The good faith estimate lists each expected cost as an amount or a range.

Credit limit

The maximum amount that may be borrowed on a credit card or under a home equity line of credit plan.

Equity

The difference between the fair market value of the home and the outstanding balance on your mortgage plus any outstanding home equity loans.

Index

The economic indicator used to calculate interest-rate adjustments for adjustable-rate mortgages or other adjustable-rate loans. The index rate can increase or decrease at any time. See also Selected Index Rates for ARMs over an 11-year Period (www.federalreserve.gov/pubs/arms/arms_english.htm) for examples of common indexes that have changed in the past.

Interest rate

The percentage rate used to determine the cost of borrowing money, stated usually as a percentage of the principal loan amount and as an annual rate.

Margin

The number of percentage points the lender adds to the index rate to calculate the ARM interest rate at each adjustment.

Minimum payment

The lowest amount that you must pay (usually monthly) to keep your account in good standing. Under some plans, the minimum payment may cover interest only; under others, it may include both principal and interest.

Points (also called discount points)

One point is equal to 1 percent of the principal amount of a mortgage loan. For example, if a mortgage is $200,000, one point equals $2,000. Lenders frequently charge points in both fixed-rate and adjustable-rate mortgages to cover loan origination costs or to provide additional compensation to the lender or broker. These points usually are paid at closing and may be paid by the borrower or the home seller, or may be split between them. In some cases, the money needed to pay points can be borrowed (incorporated in the loan amount), but doing so will increase the loan amount and the total costs. Discount points (also called discount fees) are points that you voluntarily choose to pay in return for a lower interest rate.

Security interest

If stated in your credit agreement, a creditor's, lessor's, or assignee's legal right to your property (such as your home, stocks, or bonds) that secures payment of your obligation under the credit agreement.

Transaction fee

Fee charged each time a withdrawal or other specified transaction is made on a line of credit, such as a balance transfer fee or a cash advance fee.

Variable rate

An interest rate that changes periodically in relation to an index, such as the prime rate. Payments may increase or decrease accordingly.

Where to go for help

For additional information or to file a complaint about a bank, savings and loan, credit union, or other financial institution, contact one of the following federal agencies, depending on the type of institution.

State-chartered bank members of the Federal Reserve System
Federal Reserve Consumer Help
PO Box 1200, Minneapolis, MN 55480
888-851-1920 (toll free)
877-766-8533 (TTY) (toll free)
877-888-2520 (fax) (toll free)
e-mail: ConsumerHelp@FederalReserve.gov
www.FederalReserveConsumerHelp.gov

National banks and national-bank-owned mortgage companies and federal savings associations[1]
Office of the Comptroller of the Currency (OCC)
Customer Assistance Group
1301 McKinney Street, Suite 3450, Houston, TX 77010
800-613-6743 (toll free)
713-336-4301 (fax)
e-mail: customer.assistance@occ.treas.gov
www.occ.treas.gov www.helpwithmybank.gov

Federally chartered credit unions[2]
National Credit Union Administration (NCUA)
Office of Public and Congressional Affairs
1775 Duke Street, Alexandria, VA 22314
800-755-1030 (toll free)
703-518-6409 (fax)
e-mail: consumerassistance@ncua.gov
www.ncua.gov/ConsumerInformation/index.htm

1 Banks with "National" in their name or "N.A." after the name.
2 Credit unions with "Federal" in their name.

For state-chartered credit unions, contact the regulatory agency in the state in which the credit union is chartered.
www.ncua.gov/consumerinformation/consumer%20complaints/ statechartered.htm

Federally insured state-chartered banks that are not members of the Federal Reserve System
Federal Deposit Insurance Corporation (FDIC)
Consumer Response Center
1100 Walnut Street, Box #11 Kansas City, MO 64106
877-ASK-FDIC (877-275-3342) (toll free)
e-mail: consumeralerts@fdic.gov
www.fdic.gov/consumers/consumer/ccc/index.html

Mortgage companies and other lenders Federal Trade Commission (FTC)
Consumer Response Center
600 Pennsylvania Avenue, NW
Washington, DC 20580
202-326-3758 or (877) FTC-HELP
866-FTC-HELP (877-382-4357) (toll free)
www.ftc.gov

Credit cards, mortgages, and consumer financial products Consumer Financial Protection Bureau (CFPB)
PO Box 4503, Iowa City, IA 52244
Phone: 855-411-2372
855-729-2372 (TTY/TDD)
www.consumerfinance.gov

More resources and ordering information

For more resources on mortgages and other financial topics, visit www.federalreserve.gov/consumerinfo.

Print orders

To request additional copies of this brochure, please send your name, address, and the number of copies requested to Publications Fulfillment, Board of Governors of the Federal Reserve System, Washington, DC 20551, or see our online ordering instructions at www.federalreserve.gov/pubs/order.htm.

EQUAL HOUSING LENDER NCUA Federally insured by NCUA

We do business in accordance with the Federal Fair Housing Law and Equal Credit Opportunity Act.

techcu
TECHNOLOGY CREDIT UNION

Solar Home Equity Line of Credit

(Adjustable Rate) (Prime Rate Program)

Initial Disclosure
IMPORTANT REAL ESTATE LOAN INFORMATION
PLEASE READ CAREFULLY