

Eastman Credit Union  
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## 5/1 ARM and HELOC Disclosures

**This Applies only if your are getting an ARM or HELOC Loan**

### 5/1 Adjustable Rate Mortgage Program Disclosure

("lender"/"us")

#### FEDERAL TRUTH-IN-LENDING ADJUSTABLE RATE LOAN PROGRAM DISCLOSURE

This disclosure reflects some of the terms of an Adjustable Rate Loan program currently offered by lender, which may be discontinued or changed in whole or part at any time at lender's option ("borrower"/"you"/"your" means the disclosure recipient(s))

#### NATURE OF AN ADJUSTABLE RATE PRINCIPAL DWELLING SECURED LOAN

The type of Loan you have in which you have expressed interest is an "Adjustable Rate Mortgage", or an ARM. What this means is that the interest rate varies in relation to changes (increases or decreases) in an interest rate index. Interest rate changes may cause changes in scheduled payments and/or in the term of your Loan. **This ARM Disclosure is not a commitment by us to make a Loan to you.**

This disclosure describes the features of this lender's Adjustable Rate Mortgage (ARM) program in which you have expressed an interest, namely the **5/1 YR ARM**. Disclosure forms on our other ARM programs are also available to you upon request (called The "Loan")

#### INDEX

**The Index.** Beginning with the first Change Date, your interest rate will be based on an Index. The Index for this Loan is **the One Year Constant Maturity Treasury**.

This index is available in the Wall Street Journal.

If the Index is no longer available, the lender will choose a new Index, which is based on comparable information.

#### YOUR INTEREST RATE

1. Your initial interest rate is a premium rate and is not based on the index and margin used to make later adjustments.
2. This interest rate can adjust in **60 months and every 12 months thereafter** ("Change Date").
3. The first interest rate adjustment will be in **60 months**.
4. Your interest rate cannot **increase more than 2.0000%** or **decrease more than 2.0000%** at the first Change Date.
5. Your interest rate cannot **increase more than 5.0000%** during the life of your Loan.
6. This loan has a minimum interest rate (floor) feature. Your minimum rate will be stated in your loan documents.
7. Your interest rate cannot **increase more than 2.0000%** or **decrease more than 2.0000%** at each subsequent Change Date.
8. You have the ability to ask us about or request information on the overall rate limitations currently offered for our ARM programs and the current interest rate and margin value.
9. Your initial interest rate is not based on the Index used to make later adjustments.
10. The interest rate may be rounded to the nearest **0.1250%** at each Change Date.
11. **The interest rate is set by adding a margin to the index value, rounded to the nearest 1/8 of 1% (.125%).**

#### YOUR PAYMENTS

1. Your payments will be determined by the interest rate, the loan balance and the remaining Loan term.
2. Your payments will be payable **monthly**.
3. The first payment adjustment will be in **60 months after the first payment date**. Any INCREASE in the interest rate will take the form of a **higher payment amount**.
4. If the amount of your payments is not sufficient to cover the interest due (negatively amortized), then if on the Maturity Date you still owe amounts on your Loan, you will pay those amounts in full on that date.

## ADDITIONAL FEATURES OF THIS ADJUSTABLE RATE MORTGAGE

Someone buying your principal dwelling **may** be allowed to assume the remaining balance of your loan based upon the original terms, but only after the initial adjustment period.

### INTEREST RATE AND PAYMENT EXAMPLE

Your payment can increase or decrease substantially based on periodic changes in the interest rate.

To give you an example of how this loan program would work, if you had a \$10,000 30 yr term loan with an initial rate of 3.00% in effect February 1, 2022, the maximum amount that the interest rate can rise under this program is 5.000 percentage points to 8.00%. If your payments were due monthly and your loan term was for 30 years, your payment could rise from a first-year payment of \$42.16 to a maximum of \$51.97 in the 6th year.

The above example(s) uses a periodic cap of 2.0000% and a life cap of 5.0000% in calculating the maximum interest rate and maximum payment.

### CALCULATING YOUR PAYMENTS FOR A 30 YEAR LOAN

To see what your payments would be, divide your desired Loan amount by \$10,000; then multiply the payment by that amount. (For example, the monthly payment for a Loan amount of \$93,000.00 would be:  $93,000.00 / \$10,000 = 9.3000$ ;  $9.3000 \times 40.82 = \$379.63$  per payment).

### NOTICE OF INTEREST RATE AND PAYMENT ADJUSTMENTS

You will be notified at least 210, but no more than 240, days before the first payment at the adjusted level is due after the initial interest rate adjustment of the loan. This notice will contain information about the adjustment, including the interest rate, payment amount, and loan balance.

## Home Equity Line of Credit Early Disclosure

This Program Disclosure contains important information about Eastman Credit Union's **15 Year Home Equity Line of Credit**. Please read this Program Disclosure and retain it for your records.

**General:** The 15 Year Home Equity Line of Credit ("HELOC" or "line of credit" or "Account") is a revolving line of credit secured by the borrower's principal residence. The line of credit is a 15 year variable-rate loan with the index based on the Prime Rate as published in the Wall Street Journal.

**Availability of Terms:** All terms described below are subject to change. If these terms change (other than the Annual Percentage Rate) and, because of that change, you decide not to enter into an agreement with us, you are entitled to a refund of all fees you have 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 as the result of your default or your failure to meet your obligations in your agreement with us.

**Possible Actions:** We can terminate your Account and require you to pay us the entire outstanding balance in one payment, and also charge certain fees if: (1) you engage in fraud or material misrepresentation in connection with your Account; (2) you do not meet the repayment terms; or (3) your action or inaction adversely affects the collateral or our rights in the collateral.

In addition, we can refuse to make additional advances or extensions of credit or reduce your credit limit if: (1) the value of the dwelling securing the Account declines significantly below its last appraised value; (2) we reasonably believe you will be unable to meet your repayment requirements because of a material change in your financial circumstances; (3) you are in default of a material obligation of your Agreement; (4) the maximum Annual Percentage Rate has been reached; (5) a regulatory agency has notified us that continued advances would constitute an unsafe and unsound practice; or (6) government action prevents us from imposing the contractual Annual Percentage Rate or impairs our security interest such that its value is less than 120% of the line of credit.

**Minimum Payment Requirements:** You may obtain advances against your line of credit for up to 180 months and you must make Minimum Monthly Payments based on your current outstanding balance. At the time of each advance, your Minimum Monthly Payment will be established based on the time remaining until the maturity of your Account. Your payment will be calculated after the advance to repay the balance within the payoff period at your current Annual Percentage Rate. Your minimum monthly payment will also change with increases and decreases to the Annual Percentage Rate.

**Balloon Payment:** If for any reason you do not make adequate payments to fully repay the outstanding principal balance by the Maturity Date, you may be required to make a single balloon payment at maturity. Unless required by law, we are under no obligation to refinance the balloon payment at that time. You may be required to refinance the amount owed with another lender or make the payments from other assets you own. If you do refinance the balloon payment with us, you may have to pay closing costs. In the alternative and at our sole discretion, we may allow you to continue making your regular payments until your balance has been paid. Your payment will also include any other amounts owed, such as amounts past due, late charges, or amounts in excess of your credit limit.

**Negative Amortization:** If you do not pay the Minimum Monthly Payment in full each month, your payments may not cover the Finance Charges that will accrue and "Negative Amortization" may occur. This means that even though you are making monthly payments, the Finance Charges or other charges (such as late fees) not covered by your payments will increase the amount you owe. This will reduce the equity in your home by increasing the amount of the outstanding balance owed on your loan.

**Minimum Payment Example:** If you made only the minimum payment due and took no other credit advances, it would take you 15 years to pay off an advance of \$10,000.00 at an ANNUAL PERCENTAGE RATE of 3.500%. To repay your advance, you would make 179 monthly payments of \$ 71.50 and one final payment of \$70.14.

**Minimum Transaction Requirements:** A credit limit of at least \$10,000.00 is required for this Account. There is no minimum draw required against the available credit.

**Fees and Charges:** You will be required to pay certain fees to third parties. These fees are estimated at \$400.00. If requested, we will give you an itemized list of the fees you will have to pay to third parties.

If you change your mind about entering into the account within three days of receiving this Disclosure and the brochure "When Your Home Is On The Line: What You Should Know About Home Equity Lines of Credit" in person, or within six days after the day we mail the disclosure and brochure to you, any fees or charges you might have already paid will be refunded.

**Property Insurance:** You must carry adequate insurance on the property that secures this line of credit. If the property is located in a Special Flood Hazard Area, you will also be required to obtain flood insurance if it is available.

**Introductory Discounted Rate:** If we offer an introductory discounted rate, it will not be based on the Index or the Margin used to make later adjustments to your rate. Immediately following the Introductory Rate period, the rate will convert to the Annual Percentage Rate then in effect. Thereafter the rate will be variable in accordance with the Variable Rate Information section below.

**Variable Rate Information:** The line of credit has a variable rate, and the Annual Percentage Rate (corresponding to the periodic rate) and the minimum payment can change as a result. The Annual Percentage Rate includes only interest and does not include other costs. Your initial Annual Percentage Rate is based on an Index Value plus a margin. The Margin is a specific number of percentage points that is added to the Index Value to calculate the Annual Percentage Rate we will apply to the line of credit at origination and when the rate adjusts. You may ask us for the current Index Value and Margin, as well as the current Annual Percentage Rate. After you open a 15 Year HELOC, rate information will be provided on the periodic statements we send to you.

**The Index:** The Index is the Wall Street Journal published Prime Rate (if published in a range, the highest number in the range will be used). Details of the Prime Rate are located in the "Money Rates" section of the Wall Street Journal and are published daily. Should the index be discontinued or otherwise be made unavailable during the term of your line of credit we will choose a new index that is based on comparable information and will provide you notice of this change.

**Rate Changes:** Increases and decreases in the Annual Percentage Rate resulting from changes in the Index can occur monthly on the first day of each calendar month during the term of the Account (the "Change Date"). On the first day of each calendar month we will adjust the Annual percentage Rate on the Account subject to the Limits on Rates as set forth below. If there is no change in the Index Value on the Change Date, the Annual Percentage Rate will not change.

**Limits on Rates:** The maximum Annual Percentage Rate that can apply is 18.00%. Apart from this rate cap there is no limit on the amount the rate can change in any one year period, except that under no circumstances will the rate ever be less than 3.500% per annum.

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

**Other Products:** If you ask, we will provide you with information about our other available home equity products.

**Maximum Rate and Payment Example:** If you had an outstanding balance of \$10,000.00, the Minimum Monthly Payment at the maximum Annual Percentage Rate of 18.0% would be \$161.04. It is possible that the maximum Annual Percentage Rate of 18.0% could be reached the first time your Annual Percentage Rate changes, unless your initial rate is already at the maximum rate of 18.0%.

**Historical Example:** The following table shows how the Annual Percentage Rate and the Minimum Monthly Payments for an initial \$10,000.00 credit advance would have changed based on changes in the Prime Rate Index over the last 15 years. The Index values are as of the last day of January of each year. The table assumes no additional credit advances were taken, only Minimum Monthly Payments were made each month, and the rate remained constant during the year. **This table does not necessarily indicate how the Index or your payments will change in the future.**

| <u>Year</u> | <u>Index</u> | <u>Margin[1]</u> | <u>ANNUAL<br/>PERCENTAGE<br/>Rate</u> | <u>Minimum<br/>Periodic Payment</u> |
|-------------|--------------|------------------|---------------------------------------|-------------------------------------|
| 2008        | 6.00%        | 0.50%            | 6.50%                                 | \$87.11                             |
| 2009        | 3.25%        | 0.50%            | 3.75%                                 | \$73.48                             |
| 2010        | 3.25%        | 0.50%            | 3.75%                                 | \$73.48                             |
| 2011        | 3.25%        | 0.50%            | 3.75%                                 | \$73.48                             |
| 2012        | 3.25%        | 0.50%            | 3.75%                                 | \$73.48                             |
| 2013        | 3.25%        | 0.50%            | 3.75%                                 | \$73.48                             |
| 2014        | 3.25%        | 0.50%            | 3.75%                                 | \$73.48                             |
| 2015        | 3.25%        | 0.50%            | 3.75%                                 | \$73.48                             |
| 2016        | 3.50%        | 0.50%            | 4.00%                                 | \$74.10                             |
| 2017        | 3.75%        | 0.50%            | 4.25%                                 | \$74.64                             |
| 2018        | 4.50%        | 0.50%            | 5.00%                                 | \$76.02                             |
| 2019        | 5.50%        | 0.50%            | 6.00%                                 | \$77.52                             |
| 2020        | 4.75%        | 0.50%            | 5.25%                                 | \$76.66                             |
| 2021        | 3.25%        | 0.50%            | 3.75%                                 | \$75.49                             |
| 2022        | 3.25%        | 0.50%            | 3.75%                                 | \$75.49                             |

[1] This is a recently used margin.