Guideline to Home Equity Lines

The following information is intended to help consumers understand home equity lines of credit. This information is based on a consumer brochure published by the Federal Reserve Board entitled **What you should know about Home Equity Lines of Credit**.

BMO Harris Bank

What you should know about home equity lines of credit

If you are in the market for credit, a home equity plan is one of several options that might be right for you. Before making a decision, however, you should weigh carefully the costs of a home equity line against the benefits. Shop for the credit terms that best meet your borrowing needs without posing undue financial risks. And remember, failure to repay the amounts you've borrowed, plus interest, could mean the loss of your home.

What is a home equity line of credit?

A home equity line 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 the 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) and 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 the 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 six 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 one 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 minimum monthly payments that include 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 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 house 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 versus 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.ftc.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 adjustments 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.

Federal Reserve Consumer Help
Federally insured state-chartered bank members of the Federal Reserve System.
P.O. Box 1200, Minneapolis, MN 55480
888-851-1920
www.federalreserveconsumerhelp.gov

Consumer Financial Protection Bureau (CFPB)
Insured depository institutions and credit unions (and their affiliates) with assets greater than $10 billion, and nondepository institutions such as mortgage originators, mortgage brokers and servicers, larger participants of other financial services products, private education loan providers, and payday lenders.
P.O. Box 4503, Iowa City, IA 52244
855-411-2372
www.consumerfinance.gov

Office of the Comptroller of the Currency (OCC) Customer Assistance Unit
National banks and federally chartered savings banks/associations.
1301 McKinney Street, Suite 3450
Houston, TX 77010
800-613-6743
www.occ.treas.gov
www.helpwithmybank.gov

Federal Deposit Insurance Corporation (FDIC)
Consumer Response Center
Federally insured state-chartered banks that are not members of the Federal Reserve System.
1100 Walnut Street, Box #11, Kansas City, MO 64106
877-ASK-FDIC or 877-275-3342
www.fdic.gov
www.fdic.gov/consumers

Federal Housing Finance Agency (FHFA)
Consumer Communications
Fannie Mae, Freddie Mac, and the Federal Home Loan Banks.
Constitution Center
400 7th Street, S.W., Washington, DC 20024
202-649-3811
www.fhfa.gov
www.fhfa.gov/Default.aspx?Page=369

National Credit Union Administration (NCUA)
Consumer Assistance
Federally chartered credit unions.
1775 Duke Street, Alexandria, VA 22314-3428
800-755-1030
www.ncua.gov
www.mycreditunion.gov

Federal Trade Commission (FTC)
Consumer Response Center
Finance companies, retail stores, auto dealers, mortgage companies and other lenders, and credit bureaus.
600 Pennsylvania Avenue, N.W., Washington, DC 20580
877-FTC-HELP or 877-382-4357
www.ftc.gov
www.ftc.gov/bcp

Securities and Exchange Commission (SEC)
Complaint Center
Brokerage firms, mutual fund companies, and investment advisers.
100 F Street, N.E., Washington, DC 20549-0213
202-551-6551
www.sec.gov
www.sec.gov/complaint/question.shtml

Farm Credit Administration
Office of Congressional and Public Affairs
Agricultural lenders.
1501 Farm Credit Drive, McLean, VA 22102-5090
703-883-4056
www.fca.gov

Small Business Administration (SBA)
Consumer Affairs
Small business lenders.
409 3rd Street, S.W., Washington, DC 20416
800-U-ASK-SBA or 800-827-5722
www.sba.gov

Commodity Futures Trading Commission (CFTC)
Commodity brokers, commodity trading advisers, commodity pools, and introducing brokers.
1155 21st Street, N.W., Washington, DC 20581
866-366-2382
www.cftc.gov/Consumer-Protection

U.S. Department of Justice (DOJ)
Criminal Division
Fair lending and fair housing issues.
950 Pennsylvania Avenue, N.W., Washington, DC 20530
202-514-3301
www.justice.gov/criminal

Department of Housing and Urban Development (HUD)
Office of Fair Housing/Equal Opportunity
Fair lending and fair housing issues.
451 7th Street, S.W., Washington, DC 20410
800-669-9777
www.hud.gov/complaints

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

Home Equity Plan Checklist

Ask your lender to help you fill out this checklist.

Basic Features	Plan A	Plan B
Fixed annual percentage rate	%	%
Variable annual percentage rate	%	%
• Index used and current value	%	%
• Amount of margin		
• Frequency of rate adjustments		
• Amount/length of discount (if any)		
• Interest rate cap and floor		
Length of Plan		
Draw period		
Repayment period		
Initial fees		
Appraisal fee		
Application Fee		
Up-front charges, including points		
Closing costs		

Repayment Terms	Plan A	Plan B
During the Draw Period		
Interest and principal payments		
Interest-only payments		
Fully amortizing payments		
When the Draw Period ends		
Balloon payment?		
Renewal available?		
Refinancing of balance by lender?		

Important terms of our home equity line of credit accounts

This disclosure contains important information about our Home Equity Line of Credit Plan {the "Plan"}. You should read this disclosure 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 (such as a mortgage or deed of trust) in your home. 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 Plan and require you to pay us the entire outstanding balance in one payment, and charge you certain fees, if any of the following happen:

(a) You commit fraud or make a material misrepresentation at any time in connection with the Plan. This can include, for example, a false statement about your income, assets, liabilities, or any other aspect of your financial condition.

(b) You do not meet the repayment terms of the Plan.

(c) Your action or inaction adversely affects the collateral for the Plan or our rights in the collateral. This can include, for example, failure to maintain required insurance, waste or destructive use of the dwelling, failure to pay taxes, death of all persons liable on the account, transfer of title or sale of the dwelling, creation of a senior lien on the dwelling without our permission, foreclosure by the holder of another lien or the use of funds or the dwelling for prohibited purposes.

Suspension or Reduction. In addition to any other rights we may have, we can suspend additional extensions of credit or reduce your credit limit during any period in which any of the following are in effect:

(a) The value of your dwelling declines significantly below the dwelling's appraised value for purposes of the Plan. This includes, for example, a decline such that the initial difference between the credit limit and the available equity is reduced by fifty percent and may include a smaller decline depending on the individual circumstances.

(b) We reasonably believe that you will be unable to fulfill your payment obligations under the Plan due to a material change in your financial circumstances.

(c) You are in default under any material obligation of the Plan. We consider all of your obligations to be material. Categories of material obligations include, but are not limited to, the events described above under Termination and Acceleration, obligations to pay fees and charges, obligations and limitations on the receipt of credit advances, obligations concerning maintenance or use of the dwelling or proceeds, obligations to pay or perform the terms of any other deed of trust, mortgage or lease of the dwelling, obligations to notify us and to provide information to us (such as updated financial information), obligations to comply with applicable laws (such as zoning restrictions), and obligations of any guarantor or co-maker.

(d) We are precluded by government action from imposing the annual percentage rate provided for under the Plan.

(e) The priority of our security interest is adversely affected by government action to the extent that the value of the security interest is less than 120 percent of the credit limit.

(f) We have been notified by governmental authority that continued advances may constitute an unsafe and unsound business practice.

(g) The maximum annual percentage rate under the Plan is reached.

Change in Terms. We may make changes to the terms of the Plan if you agree to the change in writing at that time, if the change will unequivocally benefit you throughout the remainder of the Plan, or if the change is insignificant (such as changes relating to our data processing systems).

Fees and Charges. To open and maintain an account, you must pay certain fees and charges.

Lender Fees. The following fees must be paid to us:

Non-refundable Annual Fee:	$50.00
When Charged:	On the second anniversary of the Plan opening date and each anniversary thereafter through the ninth anniversary of the Plan opening date.
Early Cancellation Fee:	If you cancel the Plan within 36 months of the Plan opening date, we will charge you $350.00.

Third Party Fees. For the states of AZ, IL, IN, MO and WI: There are no third party fees.

For the states of FL, KS and MN: In FL, you must pay a Documentary Stamp Tax of $3.50 per $1000 and an Intangible Tax of $2.00 per $1000. In KS, you must pay a Mortgage Recording Tax of $2.60 per $1000. In MN, you must pay a Mortgage Recording Tax of $2.30 per $1000.

For states other than those listed above: You must pay certain fees to third parties such as appraisers, credit reporting firms, title insurance companies, flood insurance companies and government agencies, which generally total between $400 and $10,000. The amount of state and/or local taxes is generally based on the total credit line limit, depending on the state or locality. On request, we will provide you with an itemized list of fees you will have to pay to third parties.

Foreign Transaction Fee. For a transaction in a currency other than U.S. dollars we will add a fee of one percent (1%) of the transaction amount after conversion to U.S. dollars.

Property Insurance. You must carry insurance on the property that secures the Plan.

Minimum Payment Requirements.

Draw Period. You can obtain advances of credit for 120 months after the Plan opening date (the "Draw Period"). During the Draw Period, your regular payment will equal the amount of your accrued finance charges. Your minimum payment will equal your regular payment, plus any amount past due and all other charges due. You will make 120 of these payments.

Repayment Period. After the Draw Period ends, your Plan will immediately enter a 20 year repayment period (the "Repayment Period") during which you will no longer be permitted to obtain credit advances. During the Repayment Period, your regular payment will equal your accrued finance charges plus 1/240 of the principal balance outstanding at the end of the Draw Period. Your minimum payment will equal your regular payment, plus any amount past due and all other charges due. You will make 240 of these payments. At the end of the Repayment Period, any outstanding principal, interest or other amounts must be repaid in full in a single balloon payment.

Regular Payment Example (Draw Period):

If you make only the minimum payment and took no other credit advances, on an initial credit advance of $10,000 at an ANNUAL PERCENTAGE RATE of 6.95%, your regular payments would be $58.86.

Regular Payment Example (Repayment Period):

Based on an outstanding principal amount of $10,000 at the beginning of the Repayment Period and an ANNUAL PERCENTAGE RATE of 6.95%, if you make only the minimum payment, your regular payment would be $100.53 on the first payment date and a final payment of $41.92 due at maturity.

Transaction Requirements and Advance Limitations. For advances, purchases and other transactions using your BMO Harris Bank Equity Access Card, the maximum aggregate dollar amount of all advances, purchases and other transactions per day is the current available balance of your Credit Limit on your Credit Line. The following transaction limitations will apply to the use of your Credit Line.

Merchant Purchase Limitations. The following transaction limitations apply to your BMO Harris Bank Equity Access Card at a merchant location.

Maximum Number of Advances Per Day. The maximum number of advances that you may obtain per day is 99.

Maximum Amount Per Day. The maximum dollar amount of advances that you may obtain per day is the lesser of (i) the available balance of your Credit Limit or (ii) $10,000.00.

ATM Access Limitations. The following transaction limitations apply to your BMO Harris Bank Equity Access Card at an Automated Teller Machine ("ATM").

Maximum Number of Advances Per Day. The maximum number of advances that you may obtain per day is 15.

Maximum Amount Per Day. The maximum dollar amount of advances that you may obtain per day is the lesser of (i) the available balance of your Credit Limit or (ii) $ 1,520.00.

Other Transaction Requirements. Transactions conducted at ATMs are governed by the limitations of the individual ATM owners and may be subject to ATM fees and transaction limitations imposed by the ATM owner.

Cash Advance Limitations. The following transaction limitations apply to your BMO Harris Bank Equity Access Card for cash advance transactions.

Maximum Number of Advances Per Day. The maximum number of cash advances that you may obtain per day is 99.

Maximum Amount Per Day. The maximum dollar amount of advances that you may obtain per day is the lesser of (i) the available balance of your Credit Limit or (ii) $1,520.00.

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

Variable Rate Feature. The Plan has a variable rate feature. The annual percentage rate (corresponding to the periodic rate) and the minimum payment amount can change as a result. The annual percentage rate does not include costs other than interest.

The Index. The annual percentage rate is based on the value of an index (referred to in this disclosure as the "Index"). The Index is the highest Prime Rate published in the Money Rates section of The Wall Street Journal on the first business day of the month. Information about the Index is available or published in the Money Rates section of The Wall Street Journal. We will use the most recent Index value available to us as of the first business day of the calendar month in which the monthly billing period begins as the basis of any annual percentage rate adjustment. If the Index is no longer available, we will choose a new Index and margin. The new Index will have a historical movement substantially similar to the original Index, and the new Index and margin will result in an annual percentage rate that is substantially similar to the rate in effect at the time the original Index becomes unavailable.

Annual Percentage Rate. To determine the annual percentage rate that will apply to your account, we add a margin to the value of the Index. A change in the Index rate generally will result in a change in the annual percentage rate. The amount that your annual percentage rate may change also may be affected by the lifetime annual percentage rate limits, as discussed below. Please ask us for the current Index value, margin and annual percentage rate. After you open a credit line, rate information will be provided on periodic statements that we send to you.

Frequency of Annual Percentage Rate Adjustments. Your annual percentage rate can change monthly. There is no limit on the amount by which the annual percentage rate can change during any one year period. However, under no circumstances will your ANNUAL PERCENTAGE RATE be less than 3.99% per annum or exceed 18.00% per annum at any time during the term of the Plan.

Maximum Rate and Payment Example. If you had an outstanding balance of $10,000, the minimum payment at the maximum ANNUAL PERCENTAGE RATE of 18.00% would be $152.46 for a 31 day month. This annual percentage rate could be reached at the time of the first payment.

Prepayment. You may prepay all or any amount owing under the Plan at any time without penalty. If you cancel the Credit Line Account within 36 months of opening, a cancellation fee of $350 will be charged.

Conversion Option. The Plan has a conversion feature. During the Draw Period, you may elect to convert outstanding credit advance balances in your account from a variable rate of interest to a fixed rate of interest with a fixed term payment feature (a "Rate Lock Feature") repayable in monthly installments of principal and interest. Rate Lock Features are subject to other applicable terms of the account. You may have up to three fixed-rate Rate Lock Features outstanding at any time. Repayments of principal will restore the amount available for credit advances. The **ANNUAL PERCENTAGE RATE** for each Rate Lock Feature will be a fixed rate equal to 18%. We may at our sole discretion provide a Rate Lock Feature at a discounted **ANNUAL PERCENTAGE RATE** that is lower than the rate stated above. If you choose to exercise this option, the effective date of the conversion and the date when we will apply the fixed rate to your converted balance will be the first calendar day of the billing cycle after we receive the documentation necessary to process the conversion. Once exercised, this rate will not change. A recent **ANNUAL PERCENTAGE RATE** that we have used for the Fixed Lock Feature is 5.24% and the **ANNUAL PERCENTAGE RATE** does not include costs other than interest. There is a $50 fee **FINANCE CHARGE** each time you exercise this conversion option. The minimum monthly payment on any Rate Lock Feature will be an amount of principal and interest based upon an amortization schedule. A Rate Lock Feature must be repaid within the Draw Period or before the expiration of the Rate Lock Term. Ask us for details. There may be a balloon payment at the earlier of the expiration of the Rate Lock Term or the Maturity Date of the Equity Line Credit Agreement and Disclosure. Ask us for details. The **ANNUAL PERCENTAGE RATE** for any Rate Lock Feature may be higher than the rate which applies to credit advances. Each Rate Lock Feature may have a different **ANNUAL PERCENTAGE RATE**. You may exercise this option by contacting us. You will also have to sign and return to us documentation for each Rate Lock Feature. This feature may not be available if your account is in default.

Historical Example. The example below shows how the annual 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 following reference period: as of the first business day in September of each year. While only one payment per year is shown, payments may have varied during each year. Different outstanding principal balances could result in different payment amounts.

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.

Index Table

Year	Index(1) (Percent)	Plan Margin(2) (Percent)	APR(3)	Monthly Payments (Dollars)
1998	8.50%	3.45%	11.95%	$ 101.22
1999	8.25%	3.45%	11.70%	$ 99.10
2000	9.50%	3.45%	12.95%	$ 109.69
2001	6.50%	3.45%	9.95%	$ 84.28
2002	4.75%	3.45%	8.20%	$ 69.45
2003	4.00%	3.45%	7.45%	$ 63.10
2004	4.50%	3.45%	7.95%	$ 67.34
2005	6.50%	3.45%	9.95%	$ 84.28
2006	8.25%	3.45%	11.70%	$ 99.10
2007	8.25%	3.45%	11.70%	$ 99.10
2008	5.00%	3.45%	8.45%	
2009	3.25%	3.45%	6.70%	
2010	3.25%	3.45%	6.70%	
2011	3.25%	3.45%	6.70%	
2012	3.25%	3.45%	6.70%	
2013	3.25%	3.70%	6.95%	

1. As of the first business day in September of each year
2. This is a margin we have used recently; your margin may be different.
3. APR is the Annual Percentage Rate.