

**HOME EQUITY CREDIT PLAN AGREEMENT EARLY DISCLOSURE for the Equity Line of Credit**

**Honda Federal Credit Union P.O. Box 2290 Torrance, CA 90509**

**Phone 800.634.6632 | Fax 310.781.6615**

**AVAILABILITY OF TERMS:** All of the terms described below are subject to change. If the terms of this agreement 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 fees you have paid to us or anyone else in connection with your application.

**SECURITY INTEREST:** We will take a mortgage, deed of trust, or other security interest in your home ("Collateral"). You could lose your home if you do not meet the obligations in your agreement with us.

**POSSIBLE ACTIONS:** We can terminate your line, require you to pay us the entire outstanding balance in one payment, and charge certain fees if:

- You engage in fraud or material misrepresentation in connection with the line of credit or application.
- You do not meet the repayment terms.
- Your action or inaction adversely affects the Collateral or our rights in the Collateral.

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

- Any reasons mentioned above exist.
- The value of the dwelling securing the line of credit declines significantly below its appraised value for purposes of the line of credit.
- We reasonably believe you will not be able to meet the repayment requirements due to material change in your financial circumstances.
- You are in default of a material obligation in the agreement.
- Government action prevents us from imposing the **ANNUAL PERCENTAGE RATE** provided for or impairs our security interest such that the value of the collateral is less than 120 percent of the credit line.
- A regulatory agency has notified us that continued advances would constitute an unsafe and unsound practice.
- The maximum **ANNUAL PERCENTAGE RATE** is reached.
- You fail to make timely payments to the holders of Deeds of Trust/Mortgages senior to ours.
- You fail to pay real property taxes prior to delinquency.
- The property is no longer your primary residence.

The Credit Agreement and Addendum permit us to make certain changes to other terms of the line of credit at specified times or upon the occurrence of specified events.

**MINIMUM PAYMENT REQUIREMENTS:** You should make or otherwise retain a copy of this disclosure for your records. You can obtain credit advances for 120 months. This period is called the “draw period”. After the draw period ends the repayment period will begin. You will be required to make monthly payments during both the draw and repayment periods. During the Draw Period, your minimum payment will be equal to 1.25% of the outstanding balance, or \$100, whichever is greater. During the Repayment Period, your Minimum Periodic Payment will be established on the first day of the Repayment Period in the amount necessary to fully amortize your outstanding account balance no later than 120 months from the end of the Draw period of \$100, whichever is greater. Paying only the minimum payment may not be sufficient to fully amortize your unpaid account balance by the end of the Repayment Period, in which case, you will be required to pay your entire remaining account balances in a single balloon payment on the Agreement Maturity Date.

**TRANSACTION REQUIREMENTS:** During the draw period, there are no transaction limitations regarding the number or amount of advances, provided you do not exceed your credit limit. After the draw period expires and you enter the repayments period, no further advances can be made.

**MINIMUM PAYMENT EXAMPLE:**

80% Loan-to-Value: If you made only the minimum monthly payment and took no other credit advances it would take 24 months to pay off a credit advance of \$10,000 at an **ANNUAL PERCENTAGE RATE** of 4.00%. During that period, you would make 123 payments between \$125.00 and \$100.00, followed by 1 payment of \$25.72.

90% Loan-to-Value: If you made only the minimum monthly payment and took no other credit advances it would take, 156 months to pay off a credit advance of \$10,000 at an **ANNUAL PERCENTAGE RATE** of 6.25%. During that period, you would make 155 payments between \$125.00 and \$100.00, followed by 1 payments of \$91.96.

100% Loan-to-Value: If you made only the minimum monthly payment and took no other credit advances it would take, 142 months to pay off a credit advances of \$10,000 at an **ANNUAL PERCENTAGE RATE** of 7.25%. During that period, you would make 141 payments between \$125.00 and \$100.00, followed by 1 payment of \$49.03.

**REFUNDABILITY OF FEES:** If you decide not to enter into this line of credit within 3 days of receiving this disclosure and the home equity brochure, you are entitled to a refund of any fee you may have already paid.

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

**VARIABLE RATE FEATURE:** This line of credit has a variable rate feature. As a result, the **ANNUAL PERCENTAGE RATE** (corresponding to the periodic rate), and the minimum payment can change as a result. The **ANNUAL PERCENTAGE RATE** is based on the value of an index. The index is the highest Prime Rate as published in the Money Rates Section of the Wall Street Journal in effect on the 15<sup>th</sup> day

of the third month of each calendar quarter of each year. To determine the annual percentage rate that will apply to your account, we add a margin to the value of the index. If more than one interest rate is shown, we will use the higher rate. Ask us for the current index value, margin and **ANNUAL PERCENTAGE RATE**. After you open a line of credit, rate information will be provided in periodic statements that we send out.

**PROPERTY INSURANCE:** You must carry insurance on the property that secures this line of credit.

**RATE CHANGES:** Your **ANNUAL PERCENTAGE RATE** can change on the 20<sup>th</sup> day of the following month after any such change in the index. Your interest rate cannot increase or decrease more than 1.0 percentage point at each change date and 2.0 percentage points in any 12 consecutive month period. The maximum **ANNUAL PERCENTAGE RATE** at any time is 18.00%. The minimum **ANNUAL PERCENTAGE RATE** at any time is 4.00% for our 80% loan-to-value lines of credit, 6.25% for our 90% loan to value lines of credit and 7.25% for our 100% loan-to- value lines of credit.

**MAXIMUM RATE AND PAYMENT EXAMPLES:** If you have an outstanding balance of \$10,000.00 during the draw period, the minimum payment at the maximum **ANNUAL PERCENTAGE RATE** of 18% would be \$125.00. This **ANNUAL PERCENTAGE RATE** could be reached during the 78<sup>th</sup> month for 80% loan to value lines of credit, the 69<sup>th</sup> month for 90% loan-to values lines of credit and the 63<sup>rd</sup> month for 100% loan-to-value lines of credit. Under some circumstances, your payment will not cover the Finance Charges that accrue and Negative Amortization will occur. Negative Amortization will increase the amount you owe us and reduce the equity in your home.

If you had an outstanding balance of \$10,000 during the repayment period, the minimum payment at the maximum **ANNUAL PERCENTAGE RATE** of 18.00% would be \$180.37. This **ANNUAL PERCENTAGE RATE** could be reached during the 78<sup>th</sup> month for 80% loan-to-value lines of credit, the 69<sup>th</sup> month of 90% loan-to-value lines of credit and the 69<sup>th</sup> month of 90% loan-to-value lines of credit and the 63<sup>rd</sup> month for 100% loan-to-value lines of credit.

**FIXED RATE CONVERSION OPTION:** At the beginning of the repayment period, if you are in default, you have the option to convert to a fixed rate at no charge. If you exercise the option to convert, the rate will be the rate in effect for our Second Mortgage Loan product plus your margin, subject to a minimum equal to the rate for our Second Mortgage Loan product at the time of conversion.

**ADDITIONAL PROVISIONS - Fees and Charges:** You may pay certain fees and/or charges to third parties to open the lines of credit. These fees generally total between \$300 and \$1000.00. We will provide you with an itemization of the fees you may have to pay to us and third parties for you to open the line of credit. We may pay these fees on your behalf; however, you will be required to reimburse us the actual charges incurred (up to \$300.00) if you close your line of credit plan within 24 months from its opening.

**Historical Example:** The following table shows how the **ANNUAL PERCENTAGE RATE** and the minimum payments for a single \$10,000.00 credit advance would have changed based on changes in the index over the past 15 years. The index is from the Wall Street Journal and is calculated on the first business day of April each year. While only one payment per year is shown, payments varied during the year.

The table assumes that no additional credit advances were taken, that only the minimum payments were made, 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.

PRIME RATE INDEX TABLE											
Year	Index	Margin			Annual Percentage Rate			Payment Period	Minimum Payment		
		1	2	3	(1)	(2)	(3)		1	2	3
2003	4.25	-0.25	1.00	2.00	5.00 (5)	6.25 (6)	7.25 (7)	Draw	\$100.00	\$100.00	\$100.00
2004	4.00	-0.25	1.00	2.00	5.00 (5)	6.25 (6)	7.25 (7)	Draw	\$100.00	\$100.00	\$100.00
2005	5.75	-0.25	1.00	2.00	5.50	6.75	7.75	Draw	\$100.00	\$100.00	\$100.00
2006	7.75	-0.25	1.00	2.00	7.50	8.75	9.75	Draw	\$100.00	\$100.00	\$100.00
2007	8.25	-0.25	1.00	2.00	8.00	9.25	10.25	Draw	\$100.00	\$100.00	\$100.00
2008	5.25	-0.25	1.00	2.00	6.00 (4)	7.25 (4)	8.25 (4)	Draw	\$100.00	\$100.00	\$100.00
2009	3.25	-0.25	1.00	2.00	5.00 (5)	6.25 (6)	7.25 (7)	Draw	\$100.00	\$100.00	\$100.00
2010	3.25	-0.25	1.00	2.00	5.00 (5)	6.25 (6)	7.25 (7)	Draw	\$100.00	\$100.00	\$100.00
2011	3.25	-0.25	1.00	2.00	4.00 (8)	6.25 (6)	7.25 (7)	Draw	\$100.00	\$100.00	\$100.00
2012	3.25	-0.25	1.00	2.00	4.00 (8)	6.25 (6)	7.25 (7)	Draw	\$100.00	\$100.00	\$100.00
2013	3.25	-0.25	1.00	2.00	4.00	6.25	7.25	Repayment			
2014	3.25	-0.25	1.00	2.00	4.00	6.25	7.25	Repayment			
2015	3.25	-0.25	1.00	2.00	4.00	6.25	7.25	Repayment			
2016	3.50	-0.25	1.00	2.00	4.00	6.25	7.25	Repayment			
2017	4.00	-0.25	1.00	2.00	4.00	6.25	7.25	Repayment			

(1) This represents the Margin, Annual Percentage Rate and Minimum Payment for our 80% LTV Lines of Credit

(2) This represents the Margin, Annual Percentage Rate and Minimum Payment for our 90% LTV Lines of Credit

(3) This represents the Margin, Annual Percentage Rate and Minimum Payment for our 100% LTV Lines of Credit

(4) This represents the 2.00 percentage point per year rate change limitations

(5) This represents the minimum Annual Percentage Rate of 5.00% for our 80% LTV Lines of Credit

(6) This represents the minimum Annual Percentage Rate of 6.25% for our 90% LTV Lines of Credit

(7) This represents the minimum Annual Percentage Rate of 7.25% for our 100% LTV Lines of Credit

(8) This represents the change to the minimum Annual Percentage Rate for our 80% LTV Line of Credit to 4.00 % made 10/20/11