

Home Equity Line of Credit Agreements and Disclosures



30419 Six Mile Road, Livonia, MI 48152 • 734-425-5080 • mcfcu.net

This Agreement covers your Home Equity Credit Account ("Account") issued through Michigan Columbus Federal Credit Union. In this Agreement the words "you," "your," "yours," and "applicant" mean each and every person who signs this Agreement. The words "we" and "our" mean Michigan Columbus Federal Credit Union. You agree, jointly and severally, to the following terms and conditions, the Home Equity Credit Account Disclosures provided with the Loan Application, and any advance form given when a loan advance is made, which collectively shall govern this Account.

1. Promise to Pay

Upon approval by the Credit Union of your application for this Account, you promise to pay the Credit Union at our office or such other place as we designate, the total of all advances, **FINANCE CHARGES**, and other amounts set forth in this Agreement on the payment terms set forth below. This includes any loan request such as a request for payments to a third party or for deposit to your or a co-applicant's deposit account, share, or share draft account at the Credit Union. You authorize any co-applicant, on his or her signature alone, to request or receive advances under this Agreement and agree to pay those advances the same as if you asked for the loan and it was paid to you.

2. Account Access

a. Access

The Credit Union will notify you of the credit limit amount of your Account, which is the maximum amount you may draw upon without getting specific approval for additional loan advances, and the minimum monthly payment amounts. Advances on the line of credit may be obtained at any time up to your credit limit, so long as your line of credit has not been suspended or credit limit reduced. You agree not to attempt to obtain more credit than the amount of your line of credit or after the draw period. If you temporarily exceed the maximum of your line of credit, you understand such credit does not increase your line of credit and you agree to repay the excess immediately.

b. Minimum Draw

The minimum advance amount is \$500 for the first advance and \$200 for subsequent advances.

c. Disbursement of Advances

Advances may be obtained by telephone request, asking the Credit Union to deposit funds to a designated account, by requesting an advance in person, or by telephone or online banking (if we offer such services for this Account). Acceptance of advance(s) either by receipt of cash or transfer to any of your deposit accounts obligates you to the payment terms of this Agreement.

3. Loan Payments

a. Method of Payment

You promise to pay for loans under this Agreement by direct payment. You may pay all or part of your loans early, at any time, without paying any penalty. However, you will keep making your monthly payments so long as you owe the Credit Union any money under this Agreement. If you pay loan advances by automatic transfers, you understand that it is your responsibility to be sure that there are adequate funds in your account to cover the payment on the specified date or your loan will become past due.

b. Minimum Payments

You will make payments at least monthly to meet the Minimum Payment requirements. You agree that you will pay the Minimum Payment on or before the due date indicated on your statement. Minimum Payments will include all amounts past due, late charges, applicable insurance premiums, and the minimum monthly payment, as follows:

- i. **Draw Period.** You can obtain credit advances for a period of six (6) years (the "Draw Period"). During the draw period, payments will be due monthly. The amount of your minimum monthly

payment will equal the amount necessary to amortize the balance after your most recent advance over a period of ten (10) years from the date of the advance (the "amortization period"), or \$50, whichever is greater. The payment will be rounded up to the nearest dollar. The amount of your minimum monthly payment will increase or decrease with each change in the **ANNUAL PERCENTAGE RATE** to pay off the balance within the amortization period specified above.

- ii. **Repayment Period.** After the draw period ends, you will no longer be able to obtain credit advances and must repay the outstanding balance ("repayment period"). The length of the repayment period will vary depending on the date of your most recent advance, but will not be longer than ten (10) years. Your minimum monthly payment will equal the amount necessary to amortize the balance after your most recent advance over a period of ten (10) years from the date of the advance (the "amortization period"), or \$50, whichever is greater. The payment will be rounded up to the nearest dollar. The amount of your minimum monthly payment will increase or decrease with each change in the **ANNUAL PERCENTAGE RATE** in order to pay off the balance over the amortization period specified above.

4. Security Requirements

a. Real Property

This line of credit will be secured by real property and your dwelling. You grant security in the form of a Line of Credit Mortgage on your real property and dwelling. You agree to the terms of the Line of Credit Mortgage, including the due-on-sale provisions as set forth in the Line of Credit Mortgage. You understand that we specifically reserve the right to enforce the "due-on-sale" clause in the Line of Credit Mortgage if the law permits. You agree to notify us immediately if there is any change in the ownership of the real property. The Line of Credit Mortgage secures only advances made under this Agreement and not any other loans you may have with us.

b. Property Maintenance/Insurance

You agree to keep the collateral in good repair and to maintain the property in a state that does not adversely affect its value. You agree to maintain property insurance on the property covered by the Line of Credit Mortgage for its full insurable value, with the Credit Union as loss payee. You agree to obtain title insurance with a line of credit endorsement naming us as insured for the full amount of the Credit Limit and showing your Line of Credit Mortgage with a lien priority acceptable to us. You agree to obtain flood insurance as may be required by applicable law and if the Property is located in a flood plain and your community participates in a federal flood insurance program. You may obtain property insurance through any company you choose that is reasonably satisfactory to us. If you fail to keep the insurance current and payable as required, we may purchase insurance to protect our own interest and add the premium to your loan balance and assess a **FINANCE CHARGE** on the balance as with all other principal amounts. You understand that all benefits paid by insurance which you purchase will be applied to pay the loan balance. If insurance benefits do not pay the loan balance in full, you will remain responsible for the unpaid balance due and for the **FINANCE CHARGE** which will continue to accrue on the loan balance due.

5. Periodic Statements

We will send you a statement showing advances, payments, and credits made to your line of credit account during the billing cycle, as well as your "New Balance," and **FINANCE CHARGE**, and any late charge or other fees.

6. Finance Charges

a. When FINANCE CHARGES Begin to Accrue

FINANCE CHARGES for loan advances under this Account begin to accrue on the date loan advances are posted to your Account.

b. Circumstances Under Which a FINANCE CHARGE Will Be Imposed

A **FINANCE CHARGE** will be imposed on the daily unpaid balance of all loan advances under this line of credit and any loan fee applicable to your line of credit. The **FINANCE CHARGES** will begin to accrue as of the date each loan advance is issued.

c. Method of Determining the Amount of FINANCE CHARGES

The **FINANCE CHARGE** based on your outstanding balance is computed by applying a daily Periodic Rate to the outstanding balance of your loan account for each day of the billing period. The outstanding balance for each day is the ending balance for that day after the payments or credits are subtracted and new loan advances and insurance premiums, if applicable, and other debits are added. The total **FINANCE CHARGE** is the sum of the **FINANCE CHARGE** on your outstanding balance each day and will be shown on your periodic statement. Your loan payments and the Credit Union's loan advances are entered when made.

7. Periodic Rate and Corresponding ANNUAL PERCENTAGE RATE

The Periodic Rate and the corresponding **ANNUAL PERCENTAGE RATE** for each billing period is figured on the following basis:

a. Variable Rate Features

The **ANNUAL PERCENTAGE RATE** may change based on the value of an index. The index is the highest Prime Rate as most recently published in *The Wall Street Journal* as of the 28th day of the month before any rate adjustment. To obtain the **ANNUAL PERCENTAGE RATE**, we add a margin to the index. Your initial rate may be discounted and not based on the index and margin used for later rate adjustments. The margin and the initial **ANNUAL PERCENTAGE RATE** for your account will be disclosed on the Account Opening Advice/Account Opening Advice when your account is opened. After you open an Account, rate information will be provided on periodic statements that we will send you.

b. Rate Adjustments

The **ANNUAL PERCENTAGE RATE** may change on the first day of each calendar quarter (January, April, July, and October). The maximum **ANNUAL PERCENTAGE RATE** that can apply is 15.00%. The minimum **ANNUAL PERCENTAGE RATE** that can apply is 4.50%. An increase or decrease in the **ANNUAL PERCENTAGE RATE** will affect the amount of your monthly payments.

8. Other Charges and Closing Costs**a. Closing Costs**

You agree to pay all other fees and charges related to the line of credit as set forth in this Agreement or on the Account Opening Advice provided at the time the account is opened, including any annual fees and other charges such as filing fees, charges due us for costs incurred in verifying your credit eligibility, flood hazard determination, appraising the value of the security, obtaining a title insurance policy in the amount of the credit limit, and upon releasing the security upon full payment and a reconveyance fee for preparing documents in connection with the release of security. Certain fees may be conditionally waived as shown on the Account Opening Advice. Fees that are subject to the conditional waiver will not be charged to the account unless the account is closed before the third anniversary of the account opening date.

b. Late Fee

If a payment is not received within 10 days after its due date, you will pay a late fee equal to 20% of the interest due, with a minimum fee of \$35.

c. Returned Payment Service Charge

If any payment on your Account is returned you will pay a service charge of \$30.

d. Attorney Fees and Collection Costs

The Credit Union may start a collection action in the county in which the Credit Union is located or the county where the real property is located. You will pay the Credit Union's attorney fees whether or not there is a lawsuit, including attorney fees on any appeal. You also will

pay any collection costs, such as repossession fees and court costs. All of these costs and expenses may be added to your present debt and a **FINANCE CHARGE** may be imposed on them at the highest rate applied to any of your loan advances.

e. Property Taxes

We may pay any delinquent and unpaid property taxes on the loan security to the principal balance and assess a **FINANCE CHARGE** on the balance.

f. Check Access

If you request the use of checks to access your Account, you will pay a check printing cost of \$25 for each order of checks.

g. Inactivity Service Charge

If there is no activity on your account for 18 consecutive months during the draw period, you will pay an inactivity service charge of \$150.

h. Card Access

If you request the use of a card to access your account, you will pay a one-time service charge of \$25.

9. Joint Liability

If you are a co-borrower as shown by your signing the application for this Agreement, you agree to be equally responsible with the other borrower. We do not have to notify you if payments on the account are not made by the other borrower on time. If this is a joint account, upon request by any party to the account or upon our receipt of inconsistent instructions, we may terminate this Account, refuse any request for any advance, or refuse any other request with respect to the account.

10. Possible Credit Union Actions

We may take the following actions with respect to your line under the circumstances listed below:

a. Termination

We may terminate the line, require you to pay the entire outstanding balance immediately if any of the following circumstances occur:

- i. You engage in any fraud or material misrepresentation in connection with the line.
- ii. You do not meet the repayment terms.
- iii. Your action or inaction adversely affects the collateral or our rights in the collateral.

b. Suspension/Reduction of Credit Limit

We may refuse to make additional advances on your line or we may reduce your credit limit immediately if:

- i. Any of the circumstances listed in (a) occurs.
- ii. The value of any dwelling securing the plan declines significantly below its appraised value for purposes of this line of credit.
- iii. We reasonably believe that you will not be able to meet the repayment requirements due to a material change in your financial circumstances.
- iv. You are in default of any material obligation under the Agreement or Line of Credit Mortgage securing the Agreement. All of your obligations under this Agreement and Line of Credit Mortgage are material to maintaining the Account. The categories of your obligations are set forth in the following paragraphs of these Agreements:

Home Equity Line of Credit Account Agreement. 1. Promise to Pay; 2. Account Access; 3. Loan Payments; 4. Security Requirements; 8. Other Charges and Closing Costs; and 10. Possible Credit Union Actions.

Line of Credit Mortgage. 3. Payment and Performance; 4. Possession and Maintenance of the Property; 5. Indemnity; 6. Due on Sale; 7. Taxes and Liens; 8. Property Damage Insurance; 10. Warranty/Defense of Title; 11. Condemnation; 12. Imposition of Taxes; 13. Security Agreement; 14. Further Assurances/Attorney in Fact; 16. Possible Actions of Lender; 20. Attorney Fees; and 25. Miscellaneous Provisions.

- v. The maximum **ANNUAL PERCENTAGE RATE** is reached.

- vi. Government action prevents us from imposing the **ANNUAL PERCENTAGE RATE** provided for or impairs our security interest such that the value of the interest is less than 120% of the Account.
- vii. A regulatory agency has notified us that continued advances would constitute an unsafe and unsound practice.

c. Change in Terms

If the index for variable rate loans is no longer available, we will choose a new index and margin that will result in an **ANNUAL PERCENTAGE RATE** that is substantially similar to your current rate at the time of the change. The Credit Union reserves the right to renew or extend the terms of this Account in the future. If the Credit Union renews or extends the draw period for advances on a line of credit the terms for advances and repayment will be the same as the original terms. The Credit Union reserves the right to temporarily reduce the variable rate. We will notify you of the reduction and the period when the reduced rate will be in effect. We may make other changes in terms of this Agreement if you agree to the changes in writing, if the change is insignificant, or the change will unequivocally benefit you for the remainder of your account.

d. Delay in Enforcement

The Credit Union can delay enforcing any right under this Agreement without losing that right or any other right.

e. Notices

All notices will be sent to your address as shown in the application. You agree that you must notify us immediately of any change in your name, address, or employment.

f. Credit Information/Financial Statements

You authorize us to release information to others (e.g., credit bureaus, merchants, and other financial institutions) regarding the status and history of your line of credit. You agree to provide us annually (or more often, in our sole discretion) with a current financial statement and updated credit information upon request.

g. Tax Deductibility

You understand that you should consult a tax advisor regarding the deductibility of interest and charges for the line.

11. Governing Law

This Agreement will not take effect until it is approved by us in the State of Michigan. This Agreement shall be governed by the laws of the State of Michigan.

12. Billing Error Notice

NOTIFY US IN CASE OF ERRORS OR QUESTIONS ABOUT YOUR BILL. This Notice contains important information about your rights and our responsibilities under the Fair Credit Billing Act.

If you think your statement is wrong or if you need more information about a transaction on your bill, write us on a separate sheet at Michigan Columbus Federal Credit Union, 30419 Six Mile Road, Livonia, Michigan 48152, or at the address listed on your statement.

Write to us as soon as possible. We must hear from you no later than sixty (60) days after we sent you the first statement on which the error or problem appeared. You can telephone us, but doing so will not preserve your rights.

In your letter, give us the following information:

1. Your name and account number.
2. The dollar amount of the suspected error.
3. Describe the error and explain, if you can, why you believe there is an error. If you need more information, describe the item you are not sure about.

If you have authorized us to pay your loan payment from your savings account, you can stop the payment on any amount you think is wrong. To stop the payment, your letter must reach us three (3) business days before the automatic payment is scheduled to occur.

YOUR RIGHTS AND OUR RESPONSIBILITIES AFTER WE RECEIVE WRITTEN NOTICE.

We must acknowledge your letter within thirty (30) days, unless we have corrected the error by then. Within ninety (90) days, we must either correct the error or explain why we believe the bill was correct. After we receive your letter, we cannot try to collect any amount you question or report you as delinquent. We can continue to bill you for the amount you question, including finance charges, and we can apply any unpaid amount against your credit limit. You do not have to pay any questioned amount while we are investigating, but you are still obligated to pay the parts of your bill that are not in question. If we find that we made a mistake on your bill, you will not have to pay any finance charges related to any questioned amount. If we did not make a mistake, you may have to pay finance charges, and you will have to make up any missed payments on the questioned amount. In either case, we will send you a statement of the amount you owe and the date on which it is due. If you fail to pay the amount that we think you owe, we may report you as delinquent. However, if our explanation does not satisfy you and you write to us within ten (10) days telling us that you still refuse to pay, we must tell anyone we report you to that you have a question about your bill. And, we must tell you the name of anyone we reported you to. We must tell anyone we report you to that the matter has been settled between us when it finally is. If we do not follow these rules, we cannot collect the first \$50.00 of the questioned amount, even if your bill was correct.

13. Acknowledgment and Agreement

You understand and agree to the terms of this Agreement. You acknowledge that you have read this Agreement, the Account Opening Advice which is integrated as part of this Agreement, the Home Equity Credit Account Disclosures provided earlier, and the Line of Credit Mortgage.

This Home Equity Line of Credit Account Agreement and Disclosures is dated:	
Signature 1	Signature 2
Signature 3	Signature 4

Loan Originator: Michigan Columbus Federal Credit Union NMLS ID# 800561

Individual Loan Originator: _____ NMLS ID# _____