

**Philo Exchange Bank**

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Lender

**PHILO BANK - HOME EQUITY LINE OF CREDIT**

This disclosure contains important information about our PHILO BANK - HOME EQUITY LINE OF CREDIT. You should read it carefully and keep a copy for your records.

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

**2. SECURITY INTEREST.** We will take a security interest in your home. You could lose your home if you do not meet the obligations in your agreement with us.

**3. POSSIBLE ACTIONS.** Under certain circumstances, we can:

- A. Terminate your line of credit and require you to pay us the entire outstanding balance in one payment;
- B. Refuse to make additional extensions of credit; and
- C. Reduce your credit limit.

We can terminate your line of credit and require you to pay us the entire outstanding balance in one payment if:

- A. You engage in fraud or material misrepresentation in connection with the line of credit;
- B. You fail to make a payment as required by the agreement; or
- C. Your action or inaction adversely affects the collateral or our rights in the collateral.

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

- A. The value of the dwelling securing the line of credit declines significantly below its appraised value for purposes of the line of credit;
- B. We reasonably believe you will not be able to meet the repayment requirements under the line of credit due to a material change in your financial circumstances;
- C. You are in default of a material obligation of the agreement;
- D. Government action prevents us from imposing the annual percentage rate provided for in the agreement, or impairs our security interest such that the value of the interest is less than 120 percent of the credit limit on the line of credit;
- E. A regulatory agency has notified us that continued advances would constitute an unsafe and unsound practice; or
- F. The maximum annual percentage rate is reached.

**4. MINIMUM PAYMENT REQUIREMENTS.** You can obtain credit advances for 5 years. During this period, payments will be due monthly. Your minimum monthly payment will equal the following:

\* The amount of accrued finance charges on the last day of the billing cycle.

The minimum payment amount will be rounded to the nearest \$.01. The minimum monthly payments will not reduce the principal that is outstanding on your line of credit by the end of 5 years. You will then be required to pay the entire balance in a single payment.

**5. MINIMUM PAYMENT EXAMPLE.** If you made only the minimum monthly payment and took no other credit advances, it would take 5 years to pay off a credit advance of \$10,000.00 at an **ANNUAL PERCENTAGE RATE** of 8.250%. During that period, you would make 59 payments of \$68.75 with a final payment of \$10,068.75.

**6. FEES AND CHARGES.** To open and maintain a line of credit, you must pay the following fees to us:

\* Loan Origination Fee: \$175.00 (due when account is opened)

Note that some fees may only apply upon the occurrence of an event and have been provided for informational purposes only.

You must also pay certain fees to third parties, such as appraisers, credit reporting firms, and government agencies. These fees generally total \$600.00 to \$1,000.00. The following are an estimate of third party fees:

You must carry insurance on the property that secures the line of credit.

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

**8. MINIMUM DRAW REQUIREMENTS.** The minimum credit advance that you can receive is \$100.00. The minimum initial credit advance must be at least \$100.00.

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

**10. VARIABLE RATE FEATURES.** This line of credit has a variable rate feature and the annual percentage rate (corresponding to the periodic rate) and the minimum monthly payment can change as a result. The annual percentage rate includes only interest and not other costs. The annual percentage rate is based on the value of an index. The index is the base rate on corporate loans posted by at least 70% of the 10 largest U.S. banks known as the Wall Street Journal U.S. Prime Rate and is published daily in the Wall Street Journal. To determine the annual percentage rate that will apply to your line of credit, we add a margin to the value of the index and then round to the nearest .001 percent. The initial annual percentage rate is discounted - it is not based on the index and margin used for later rate

adjustments. The initial rate will be in effect for 12 months. Ask us for the current index value, margin, discount and annual percentage rate. After you open a line of credit, rate information will be provided on periodic statements that we send you.

**11. RATE CHANGES.** The annual percentage rate can change daily after remaining fixed for 12 months. There is no limit on the amount by which the rate can change in any one year period. The maximum **ANNUAL PERCENTAGE RATE** that can apply during the line of credit is 10.500 percent. The minimum **ANNUAL PERCENTAGE RATE** that can apply during the line of credit is 5.000 percent.

**12. MAXIMUM RATE AND PAYMENT EXAMPLES.** If you had an outstanding balance of \$10,000.00 the minimum monthly payment at the maximum **ANNUAL PERCENTAGE RATE** of 10.500 percent would be \$87.50. The maximum annual percentage rate could be reached in the 1st month (1 month) following an initial hold of 12 months.

**13. HISTORICAL EXAMPLES.** 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 last 15 years. The index values are from the first business day of July. While only one payment amount per year is shown, payments would have varied during each year. The table assumes that no additional credit advances were taken, that only the minimum payment was made, and that the rate remained constant during each year. It does not necessarily indicate how the index or your payments would change in the future.

Year	Index (%)	Margin* (%)	ANNUAL PERCENTAGE RATE (%)	Minimum Monthly Payment (\$)
2010	3.250	-0.250	5.000 (K)(L)	41.67
2011	3.250	-0.250	5.000 (K)	41.67
2012	3.250	-0.250	5.000 (K)	41.67
2013	3.250	-0.250	5.000 (K)	41.67
2014	3.250	-0.250	5.000 (K)	41.67 (P)
2015	3.250	-0.250	5.000 (K)	N/A
2016	3.500	-0.250	5.000 (K)	N/A
2017	4.250	-0.250	5.000 (K)	N/A
2018	5.000	-0.250	5.000 (K)	N/A
2019	5.500	-0.250	5.250	N/A
2020	3.250	-0.250	5.000 (K)	N/A
2021	3.250	-0.250	5.000 (K)	N/A
2022	4.750	-0.250	5.000 (K)	N/A
2023	8.250	-0.250	8.000	N/A
2024	8.500	-0.250	8.250	N/A

\* This is a margin we have used recently; your margin may be different.

(K) This reflects a lifetime floor of 5.000 percent.

(L) This is a 2.009 percentage point discount that we have used recently, your line of credit may have a different discount amount.

(P) At the end of this year a balloon payment of \$10,041.67 would occur. You would be required to pay the entire balance in one payment.

This is not a commitment to make a loan.