

## IMPORTANT TERMS OF OUR HOME EQUITY SECURED LINE OF CREDIT

This disclosure contains important information about our Home Equity real estate secured open-end line of credit. You should read it carefully and keep a copy for your records.

**Availability of Terms:** All of the terms described are subject to change prior to a final decision on your loan application. If any of these terms change (other than the annual percentage rate) and you decide, as a result, not to enter into a Loan Agreement with us, you are entitled to a refund of any fees that you paid in connection with your application.

**Security Interest:** The line of credit will be secured by a Deed of Trust on your home. Lien position can be a first or second. You could lose your home if you do not meet the obligations in your Loan Agreement with us.

**Possible Actions:** We can terminate your line of credit and require you to pay us the entire outstanding balance in one payment and also charge you certain fees for any of the following reasons:

- You engage in fraud or material misrepresentation in connection with this line of credit.
- You do not make payments as scheduled.
- The security for the line of credit is impaired.

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

- The security is worth significantly less than its value at the time you applied for the line of credit.
- Your financial circumstances have materially declined.
- You are in default in a material obligation under the Loan Agreement.
- Government action prevents us from continuing to use the annual percentage rate formula or making further loan advances under the Loan Agreement terms.
- A governmental agency takes some action that has the effect of impairing our security interest in your home, such as the imposition of a tax lien.
- The maximum annual percentage rate provided under the variable rate formula in the Loan Agreement is reached.
- A regulatory agency advises us that further extensions of credit would be unsafe or unsound under the circumstances.
- Ten years have passed since the signing of the Loan Agreement (unless the Bank, at our sole discretion, decides to extend the line of credit for an additional term).

The Loan Agreement allows us to make certain changes such as in the interest rate or on the occurrence of certain events such as your default.

**Minimum Advance; Draw and Repayment Periods:** You are not required to take an initial advance when you establish your line of credit. You can obtain loan advances up to your credit limit for ten years. This ten year period is called the draw period. A fifteen year repayment period will follow the draw period.

**Minimum Monthly Payment Requirements:** Your minimum monthly payment varies with changes in the interest rate and with the amount borrowed. During the draw period, the minimum monthly payment will equal interest only. During the fifteen-year repayment period, the minimum payment will be fully amortized at an amount sufficient to pay off principal and interest at the then current interest rate over the number of months remaining in the repayment period.

**Minimum Payment Example:** If you made only the minimum monthly payments and took no other credit advances, it would take 25 years to pay off a credit advance of \$10,000.00 at an initial ANNUAL PERCENTAGE RATE of 10.25%. During the draw period, you would make 120 monthly interest only payments of \$84.30 at an ANNUAL PERCENTAGE RATE of 10.25%, provided the rates remained constant. During the repayment period, you would make 180 payments of principal and interest. The repayment period payments would be \$109.03 if the ANNUAL PERCENTAGE RATE remained constant at 10.25%. Increases in the interest rate during both the draw and repayment periods will generally increase your monthly payment.

**Fees and Charges:** To open and maintain a line of credit, you must pay certain fees and charges. The following fees must be paid to us:

You will pay an application fee of \$200.00 and a processing fee of \$250.00 to Kaiser Federal Bank and you will pay our actual costs for title review, appraisal, flood review, credit report, escrow closing costs, and recording costs, which are estimated to be between \$730.00 and \$3,000.00. If you withdraw your application within three days or within six days of the date on which we mailed this disclosure to you, any fees you paid to establish your line of credit are refundable.

You may request an itemization of fees, and one will be given to you in any event when the line of credit is established.

There is no annual fee for this line of credit.

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

**Tax Deductibility:** You should consult a tax advisor regarding the deductibility of interest and other charges under this line of credit program.

**Variable Rate Feature:** This line of credit has a variable rate feature, and the annual percentage rate and minimum monthly payment can change as a result. The annual percentage rate includes only interest. Other costs are not included.

Initials \_\_\_\_