

# This is Your Line of Credit Contract and Truth-in-Lending Disclosure

## LAKES COMMUNITY CREDIT UNION

### THIS IS A CONTRACT - BE SURE TO READ IT

It spells out the terms and conditions of your Line of Credit Plan with the Credit Union. It sets out your rights and duties as well as ours.

The wording has been kept as clear and simple as possible. Even so, you may have questions. If you do, please call or write us.

In this contract, the word "you" refers to and includes, where appropriate, all persons who sign this contract. "We" or "us" refers to the Credit Union.

### TRUTH-IN-LENDING DISCLOSURE

There is a U.S. law called the Truth-in-Lending Act. It requires lenders to tell borrowers certain things about consumer loans they make-in other words, to make a disclosure. This document is not only a contract-it is also such a Truth-in-Lending disclosure.

#### 1. How You Ask for Advances Under This Contract

By signing this contract, you are applying for a Line of Credit loan plan. Your application must be approved before you can borrow money under the plan.

Once you have been approved, you can request advances under this contract in person, by telephone or by mail. Advances can also be requested by means of a share draft, since the signature on the draft is a signed request for an advance.

#### 2. When Advances Are Given

The total owing under this contract at any one time may not exceed the amount stated below. Amounts repaid are generally available for future advances.

Money can be borrowed under the contract in one or more advance from time to time.

Generally, we will make advances to you under this contract if:

1. The total amount owing after the advance doesn't go over the limit state below;
2. Any papers requesting the advance are filled out completely and correctly; and
3. You are up to date on all your loans with us.

1. FINANCE CHARGE (interest) under this contract is figured at a rate .04109% per day, which corresponds to an **ANNUAL PERCENTAGE RATE** of 15% (See section 3 inside)
2. Minimum monthly payments are \$3.50 for **each** \$100.00, or part of \$100.00, of the **new** "principal balance" that resulted when the amount you last borrowed was added to the principal balance, but not less that \$20.00. (See Section 5 inside)
3. Payments are due on the 15th day of each month. (See Section 5 inside)
4. If a payment is 30 days or more late, we can charge you up to 20% of the payment due but not less than 25¢. (See section 4 inside)
5. The total amount owing under this contract at any time may not exceed \$\_\_\_\_\_. ( See Section 2 inside)

Nevertheless, we have the right to refuse any advance you may ask for or decline to make any future advances, if:

1. We decide that the credit rating or debt-paying ability of anyone who signed this contract is no longer satisfactory;
2. You break any promises made in this contract; or
3. We decide there is other good cause.

If this should occur, we will give you written notice by first-class mail sent to your last address on our records. The notice is effective when mailed.

### 3. Promise to Pay Back with Finance Charge

By signing this contract, you promise to pay back to the Credit Union all money that anyone borrows under this contract **plus** FINANCE CHARGE figured at the daily and corresponding **ANNUAL PERCENTAGE RATE** shown on the front page of this contract.

And you make this promise not only for yourself but jointly with each other person who signs this contract.

FINANCE CHARGE is the same thing as interest. It is the charge we make for your use of the money we lend you.

#### Figuring Out the Principal Balance

We charge FINANCE CHARGE (that is, interest) only on that part of the money you borrowed that is still owing when you make a payment. This is called the "principal balance." We figure out the "principal balance" this way:

1. When you borrow money, we add it to the unpaid part of amounts (if any) you previously borrowed;
2. When you make a payment, we deduct from the unpaid part of amounts you previously borrowed the part of the payment that exceeds late charges (if any) and FINANCE CHARGE (interest) then due.

As you can see, the "principal balance" keeps changing. The "principal balance" could be several different numbers during a specific period of time like a month or a calendar quarter.

#### Figuring Out Finance Charge

FINANCE CHARGE (interest) begins to run on each advance under this contract from the date it is posted to our records.

We determine the **amount** of FINANCE CHARGE (interest) at the time a payment is made, by multiplying:

1. The daily rate stated on the front page, times
2. Each separate "principal balance" since the last payment, times
3. The number of days each separate "principal balance" was owing,

and then adding up the results.

In this way, we only charge FINANCE CHARGE (interest) on the "principal balance" for the actual number of days you owe that particular "principal balance."

In the rest of this contract, we will use the word "interest" instead of FINANCE CHARGE.

### 4. Extra Charge for Late Payment

We have the right to make an extra charge if you don't make your payment on time. If we do, the maximum charge will be as indicated on the front page of this contract. You should **always** make your payments on time. That way you will avoid any chance of having to pay a late charge.

### 5. How You Pay Us Back

You must pay back the money you borrow from us, plus interest, in **monthly** payments. A payment is due **every month**, even if you have previously made extra payments.

The payment is due each month on the day stated on the front page of this contract. We call this the "due date."

You must make at least a **minimum** payment every month. The **amount** of the minimum payment is determined in the manner explained on the front page. Minimum monthly payments will usually increase when you borrow new money. But they do **not** decrease as the principal balance is being paid off.

There is one exception to the "due date" we mentioned above. If there was no principal balance prior to the advance, the **first** payment won't come due in the month you get that advance — it comes due the following month.

### 6. How Your Payments Are Applied

Each time you make a payment under this contract, it goes

- FIRST, to pay late charges, if any;
- SECOND, to pay interest then owing; and
- THIRD, to reduce the "principal balance."

If the payment isn't enough to cover late charges (if any) and interest then due, the unpaid part of the late charges or interest will be taken out of your later payments. It won't be added to the "principal balance." That way we don't compound interest you owe, or charge interest on late charges.

### 7. Paying Off Early

The payments we told you about in Section 5 are **minimum** payments. Of course, you are allowed to make **larger** payments if you want to. And you can pay off this contract, in full or in part, at any time. Any of these steps will result in your paying **less** interest, thus saving you money.

There is no penalty or charge of any kind for paying off all or part of what you owe early.

Even if you do make some extra payments or some early payments, you **still** must make at least the **minimum** payment **every** month until the principal balance is paid in full. If you want to pay ahead and then skip some payments, you must make special arrangements with us.

### 8. Your Savings Are Security for This Contract

By signing this contract, you give us a security interest — called a "pledge" — in all present or future shares or deposits in the Credit Union which you have the right to withdraw for your personal use.

If you fail to make your payments when due, we can take money from your shares or deposits to pay any or all amounts owing under this contract.

While your payments are up-to-date, you can withdraw from your savings even though they are "pledged" to us. But if you withdraw **all** your shares, you are no longer a member and you can't get any new advances under this contract.

We waive any security interest for any amount owing under this contract except for the pledge of your savings.

## 9. Protecting Certain Savings

Under the law which regulates the Credit Union, we have certain rights against your shares or deposits. By signing this contract, you give us certain other rights in your savings as explained in Section 8. Nevertheless, none of these rights will apply against any shares or deposits that are part of an Individual Retirement Account (IRA) or a Keogh Plan.

This provision assures that by signing this contract you don't risk losing tax advantages tied to these kinds of savings.

## 10. Cosigner-Guarantors

A person who signs this contract even though he or she cannot borrow under it is called a "cosigner-guarantor."

A "cosigner-guarantor" who **signs this contract** is liable to us for **all** advances we make under the contract from the time he or she signs it until those advances are paid in full, no matter how long it takes.

If a "cosigner-guarantor" wants to stop his or her responsibility for advances under this contract, that person must give us a written notice telling us that. Then that person won't be responsible for any **new** advance you get **after** we receive the notice. But, of course, he or she stays liable for advances that were made before we got the notice.

If a "cosigner-guarantor" signs this contract, he or she permits us to do any of the following things under this contract without first telling him or her about it:

1. Make one or more advances to you;
2. Extend the due date of any payment you owe;
3. Reduce your monthly payment;
4. Allow you to withdraw any of your savings;
5. Release some other "cosigner-guarantor";
6. Take additional "cosigner-guarantors."

## 11. What Happens in the Case of Default

You are in "default" **if**:

1. You fail to make a minimum monthly payment when it is due, **or**
2. You break any other promise you make in this contract.

When this happens, we have certain rights which are designed to help us collect what you owe us. These rights are set out in this section.

### Lawsuit

When you are in "default," we can sue you in a court of law. We can also, after giving any legally required notice, sue anyone who signs this contract as a "cosigner-guarantor." Or we can do both.

### Full Payment Due Immediately

If you are in "default," we can also demand that you **immediately** pay us the entire amount then still unpaid under this contract, plus interest and late charges, if any. We don't have to give you any advance notice if we decide to do this.

Once we have done this, you lose your right to make monthly payments under the contract and you must pay us in full right away.

## Rights to Your Savings

When you are in "default," we have certain rights to your savings. These have already been explained in Section 8.

## 12. Miscellaneous Provisions

### What If We Decline to Make Advances Under the Contract?

In Section 2, we told you about our right to refuse advances you ask for. You also can terminate your right to receive further advances under this contract if you want to. But in any such event, you still must pay us all the money you owe under this contract **plus** interest and any late charges, and you are still required to follow the repayment terms set out in this contract. The same is true for any "cosigner-guarantor" who signs this contract.

### Can We Check Your Credit?

Yes. By signing this contract, you permit us to make such investigation from time to time as we think is necessary concerning your employment, your credit standing and your financial responsibility. Your signature also permits us to tell credit rating bureaus and other creditors about our experience with you, such as, for example, if you make your payments on time.

### Who Keeps the Contract?

In order to comply with certain laws, the original of this contract with your signature(s) on it must be kept by the Credit Union. However, you have been furnished with an exact unsigned copy of this contract to keep for your records. If you lose your copy, give us a call and we will send you another.

### Can This Contract Be Changed?

Yes, it can! We need this power because this contract may last for many years and economic conditions will change during that time. So we can, for example, increase the interest rate (though not above the maximum rate allowed by law), increase the minimum monthly payment, or change the credit limit. Changes we make will apply to new advances you get after the date of the change. Changes which affect you adversely (for example, an increase in the interest rate) may also apply to amounts you already owe if you get a new advance after such a change has been made. Of course, we will only make changes the law permits.

If the law requires an advance notice of a change, we will mail the notice to the last address we have for you in our records and will follow any other procedures the law requires.

### Does the Credit Union Have to Enforce Its Rights?

Sometimes, in order to help you over a trouble spot, we may tell you it's okay to be late with a payment, or to skip a payment, or send in a part-payment, and so on. And sometimes we may simply accept payments a little bit late and not say anything about it. However, if we do any of these things, or if in any other way we fail to insist that you strictly observe a promise you have made in this contract, we still have the right to **insist thereafter** that you **do** keep your promises strictly. For example, we may let you send in payments 5 to 10 days late for several months and not say anything, but we still have the right to require you to make later payments on time, or to start adding late charges even though we didn't do that before.

**YOUR BILLING RIGHTS  
KEEP THIS NOTICE FOR FUTURE USE**

This notice contains important information about your rights and our responsibilities under the Fair Credit Billing Act.

**Notify Us in Case of Errors  
or Questions About Your Statement**

If you think your statement is wrong, or if you need more information about a transaction on it, write us on a separate sheet at the address listed on the statement. Write to us as soon as possible. We must hear from you no later than 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:

- Your name and account number.
- The dollar amount of the suspected error.
- 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.

**Your Rights and Our Responsibilities  
After We Receive Your Written Notice**

We must acknowledge your letter within 30 days, unless we have corrected the error by then. Within 90 days, we must either

correct the error or explain why we believe the statement 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 send you statements which reflect 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 outstanding balance that are not in question.

If we find that we made a mistake on your statement, you will not have to pay any finance charges related to any questioned amount. If we didn't 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 that 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 days telling us that you still refuse to pay, we must tell anyone we report you to that you have a question about your statement. 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 don't follow these rules, we can't collect the first \$50 of the questioned amount, even if your statement was correct.

**You sign Here** Each member who signs below on line A or B can borrow under this contract on his or her separate signature. A person who signs on line C cannot borrow.

	Signatures	Date Signed	Account No.
<b>A</b>	Member <b>X</b>		
<b>B</b>	Member <b>X</b>		
<b>C</b>	Cosigner-Guarantor <b>X</b>		

A copy of this Contract and Truth-in-Lending Disclosure was:

- Received by member (member's initials and date \_\_\_\_\_ )
- Mailed (staff initials and date \_\_\_\_\_ )

**For Credit Union Use Only**

Line of Credit Contract:

- Approved  
 Rejected

Cosigner-Guarantor

- Required  
 Not required

Credit Limit \$ \_\_\_\_\_

Other Conditions (if any) \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Credit Committee:

**X** \_\_\_\_\_  
**X** \_\_\_\_\_  
**X** \_\_\_\_\_

Date of Action \_\_\_\_\_

**X** \_\_\_\_\_  
Loan Officer