

## IMPORTANT TERMS OF YOUR HOME EQUITY LINE OF CREDIT

**Retention of Information:** This disclosure contains important information about your Home Equity Line of Credit Product. You should read it carefully and keep a copy for your records.

**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.

**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.

**Possible Actions:** We can terminate your credit line, require you to pay us the entire outstanding balance in one payment, and charge you certain fees if: (i) You engage in 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. We can refuse to make additional extensions of credit or reduce your credit limit if: (i) Any of the reasons mentioned above exist; (ii) The value of the dwelling securing the line declines significantly below its appraised value for purposes of this line; (iii) We reasonably believe 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 a material obligation in the agreement; (v) 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 percent of the credit line; (vi) A regulatory agency has notified us that continued advances would constitute an unsafe and unsound practice; (vii) The maximum **ANNUAL PERCENTAGE RATE** is reached. The initial agreement permits us to make certain changes to the terms of the agreement at specified times or upon the occurrence of specified events.

**Minimum Payment Requirements:** You can obtain advances of credit for 10 years (the "**Draw Period**"). At our option, we may renew or extend the Draw Period. During the Draw Period, your minimum payment will equal the (i) the greater of \$50 or (ii) total of (a) the periodic finance charges, and other fees, charges and costs including without limitation, any other expenses or advances incurred by us under the Security Instrument; (b) accrued but unpaid interest for prior Billing Cycles. The Draw Period will be followed by a "Repayment Period" of 15 years. During the Repayment Period, if any, your minimum payment will equal 1/180 of your unpaid Account Balance at the end of the Draw Period, plus all periodic finance charges, and other fees, charges, and costs. All payments will be due monthly.

**Early Termination Fee** - \$500 due when account is terminated, but only if terminated within three years of opening your line of credit.

**Property Insurance:** You must carry insurance on the property that secures the line. If the property is located in a Special Flood Hazard Area we will require you to obtain flood insurance if it is available. You may select the insurance company of your choice, provided the company and coverage meet our requirements.

**Tax Deductibility:** You should consult a tax advisor regarding the deductibility of interest and charges for the line.

**Variable-Rate Information:** The Agreement has a variable **ANNUAL PERCENTAGE RATE**. The **ANNUAL PERCENTAGE RATE** and the amount and or number of Minimum Payment may change as a result. The **ANNUAL PERCENTAGE RATE** includes only interest and no other costs. The initial **ANNUAL PERCENTAGE RATE** may be "discounted". Any discounted rate is not based on the index and margin used for later rate adjustments. The discounted initial rate will be in effect for the first 6 months your credit line is open.

The **ANNUAL PERCENTAGE RATE** is based on the value of an index, and we may add a margin to the value of the Index. The "Index" is Prime Rate as published in *The Wall Street Journal*.

Ask us for the current index value, margin and **ANNUAL PERCENTAGE RATE**. After you open a credit line, rate information will be provided on periodic statements that we will send you.

**Rate Changes:** The **ANNUAL PERCENTAGE RATE** may be adjusted on the first day of each billing cycle (the "**Change Date**"). On each Change Date the **ANNUAL PERCENTAGE RATE** will be determined by adding the Margin to the value of the Index on the last day of the prior month. Each change in the **ANNUAL PERCENTAGE RATE** (and the related Daily Periodic Rate) will take effect without prior notice and will apply to both new Advances and your Account Balance. The maximum **ANNUAL PERCENTAGE RATE** that can apply is 18%, subject to state limitations. Except for this 18% "cap," there is no limit on the amount by which the rate can increase or decrease during any one-year period. The Annual Percentage Rate can never be lower than the floor rate.

**Maximum Rate and Payment Examples:** If you had an outstanding balance of \$10,000 during the Draw Period, the minimum monthly payment at the maximum **ANNUAL PERCENTAGE RATE** of 18% would be \$150.00. This annual percentage rate could be reached during the first month of the Draw Period. If you had an outstanding balance of \$10,000 at the beginning of the Repayment Period, the minimum monthly payment at the maximum **ANNUAL PERCENTAGE RATE** of 18% would be \$205.56. This annual percentage rate could be reached during the first month of the repayment period.

**Other Products:** If you ask, we will provide you with information on our other available home equity lines.

If you tell us you have decided not to enter into the Account within three business days of receiving this Disclosure and the Consumer Financial Protection Bureau brochure "What You Should Know About Home Equity Lines of Credit" in person, or within six business days after the day we mail them to you, as the case might be, any fees or charges you might have already paid will be refunded.

**Home Equity Line of Credit-Primary Residence or Second Home with Loan to value of 80% or Less:**

**Minimum Payment Example:** If you received an Advance of \$10,000 and made only the minimum monthly payments and took no other credit advances, it would take the following amount of time to repay this loan. This example assumes a minimum monthly payment of \$50, but your minimum monthly payment may be a different amount. For the 10-year Draw Period followed by a 15- year Repayment Period, it would take 300 months to pay off a credit advance of \$10,000 at an **ANNUAL PERCENTAGE RATE** of **7.5%**. During that period, you would make 120 monthly payments of **\$62.50** followed by 180 monthly payments between **\$118.06** and **\$55.10**.

**Fees and Charges:** To open and maintain a line of credit, you must pay the following fees to us:

Annual Fee of \$ NA

Unless otherwise noted, all fees will be paid at closing. You also must pay certain fees to third parties. These fees generally total between \$0 and \$1,707.10. If you ask, we will give you an itemization of the fees you will have to pay to third parties.

Floor Rate: **3.25%**.

**Historical Example:** The following table shows how the **ANNUAL PERCENTAGE RATE** and the minimum monthly payments for a single \$10,000 credit advance would have changed based on changes in the index over the past 15 years. The index values are from January 1 of each year. While only one payment amount per year is shown, payments during the Draw and Repayment Periods would have varied during each year. The table assumes that no additional credit advances were taken, that only the minimum payments were made each month, 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.

Year	Index	Margin (1)	APR	Minimum Monthly Payment
2010	3.25%	-1.00%	-5.99% (5)	\$ 50.00 (2)
2011	3.25%	-1.00%	3.25% (4)	\$ 50.00 (2)
2012	3.25%	-1.00%	3.25% (4)	\$ 50.00 (2)
2013	3.25%	-1.00%	3.25% (4)	\$ 50.00 (2)
2014	3.25%	-1.00%	3.25% (4)	\$ 50.00 (2)
2015	3.25%	-1.00%	3.25% (4)	\$ 50.00 (2)
2016	3.50%	-1.00%	3.25% (4)	\$ 50.00 (2)
2017	3.75%	-1.00%	3.25% (4)	\$ 50.00 (2)
2018	4.50%	-1.00%	3.50%	\$ 50.00 (2)
2019	5.50%	-1.00%	4.50%	\$ 50.00 (2)
2020	4.75%	-1.00%	3.75%	\$ 62.86 (3)
2021	3.25%	-1.00%	3.25% (4)	\$ 58.54
2022	3.25%	-1.00%	3.25% (4)	\$ 57.23
2023	7.50%	-1.00%	6.50%	\$ 71.61
2024	8.50%	-1.00%	7.50%	\$ 73.42

(1) This is a margin we have used recently. Your margin may be different.

(2) The \$50 payments reflect the minimum monthly payment amount. Your minimum payment may be a different amount.

(3) The Repayment Period begins this year.

(4) Floor.

(5) The initial **ANNUAL PERCENTAGE RATE** shown is discounted. If your Home Equity Line of Credit provides for an initial discounted rate, your initial discounted rate may be different.

**Fixed Rate Advance:** You have the option to convert all or portion of your outstanding line of credit balance to a Fixed Rate Advance provided that the Home Equity Line of Credit is not in default. The converted Fixed Rate Advance portion will continue to be secured by the mortgage and shall be subject to and governed by the terms and provisions of the Home Equity Line of Credit Agreement and Disclosure Statement (the "Note").

**ANNUAL PERCENTAGE RATE Increase.** Your ANNUAL PERCENTAGE RATE may increase if you exercise this option to convert to a fixed rate.

**Conversion Periods.** You can exercise the option to convert to a fixed ANNUAL PERCENTAGE RATE any time during the Draw Period, and any extension of the Draw Period. After the Draw Period ends, or if you do not meet the repayment terms of the Home Equity Line of Credit Agreement, you will not be able to exercise the option to convert to a fixed ANNUAL PERCENTAGE RATE.

**Rate Determination.** The fixed rate will be determined as follows: The fixed ANNUAL PERCENTAGE RATE for each portion of your credit line balance converted to a Fixed Rate Advance will be the lesser of (i) our published Fixed Rate Advance rates for the applicable term at the time of the request to convert to a fixed rate or (ii) index plus a margin. The published rates can be located on the Banks website.

The "Index" is equal to the Prime Rate as published in *The Wall Street Journal*. We use the last index published in the month prior to the conversion. The margin that is added to the index is based on the term of the Fixed Rate Advance. There is no minimum rate that can apply for the converted amounts. The maximum ANNUAL PERCENTAGE RATE that can apply is 18%.

Margins will be as follows:

5 Year                    3.00% Above Prime

10 Year                   3.50% Above Prime

15 Year                   4.00% Above Prime

20 Year                   4.50% Above Prime

At the time you exercise the option to convert to a fixed ANNUAL PERCENTAGE RATE, we will determine a minimum monthly payment applicable for that Fixed Rate Advance.

**Fixed Rate Advance Rules:** You can convert to a Fixed Rate Loan only during the period or periods described above. In addition, the following rules apply to the advance option for the Plan:

You may elect to have up to three Fixed Rate Advances outstanding on your line of credit at any one time. The amount of each Fixed Rate Advance will reduce your available credit on your credit line. As you repay the principal balance of each Fixed Rate Advance, your available balance on your line of credit will increase and will continue to be available during the "Draw Period".

If you exercise the option to convert to a fixed ANNUAL PERCENTAGE RATE, the term of the Fixed Rate Advance must be at least 60 months and may not exceed 240 months, provided the term does not exceed the maturity date of the Home Equity Line of Credit Agreement. The minimum loan amount for each Fixed Rate Advance is \$5,000.00. You will make monthly payments of principal and interest, which shall be the amount sufficient to repay the Fixed Rate Advance in full by the end of its repayment term. If you have one or more Fixed Rate Advance outstanding, you will have to make minimum monthly payments for each Fixed Rate Advance. You will still be required to make the minimum payments for any balance remaining on your line of credit.

In order to exercise the option to convert to a fixed ANNUAL PERCENTAGE RATE you must make a request in person by visiting a local branch, calling 800-939-9103, by submitting an inquiry to Loan Servicing through Online Banking, or by emailing our Loan Servicing department at [servicing@cornerstonebank.com](mailto:servicing@cornerstonebank.com). Each borrower shall sign the "Fixed Rate Advance Request" form which sets forth the requested amount, term, fixed ANNUAL PERCENTAGE RATE, the amount of each monthly payment applicable to the Home Equity Fixed Rate Loan, and the first payment due date.

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