

Creditor: 1st Security Bank of Washington  
6920 220<sup>th</sup> Street SW  
Mountlake Terrace, WA 98043

**HOME EQUITY LINE OF CREDIT  
EARLY DISCLOSURE**

**This disclosure contains important information about our Home Equity Line of Credit (hereinafter referred to as the “Line” or the “Account”). 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 deed of trust on your home. You could lose your home if you do not meet the obligations in your agreement with us.

**Possible Actions:** Under certain circumstances, we can (1) terminate your Line, require you to pay us the entire balance in one payment, and charge you certain fees; (2) refuse to make additional extensions of credit; and (3) reduce your credit limit.

- A. We can terminate your Line, require you to pay us the entire outstanding balance in one payment, and charge you certain fees if:
  1. You engage in any fraud or material misrepresentation in connection with your Account. This can include, for example, if there are false statements or omissions on your application or financial statements.
  2. You do not meet the payment terms of your Account.
  3. Your action or inaction adversely affects the collateral or our rights in the collateral. This can include for example, if you fail to: maintain insurance, pay taxes, transfer title to or sell the collateral, prevent the foreclosure of any items, or waste of the collateral.
- B. We can refuse to make additional extensions of credit or reduce your credit limit if:
  1. Any of the circumstances listed in (A) above occur.
  2. The value on the dwelling securing the Line declines significantly below its appraised value for purposes of the line.
  3. We reasonably believe you will not be able to meet the repayment requirements due to a material change in your financial circumstances.
  4. You are in default under any material obligations in the agreement.
  5. We are precluded by government action that 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.
  6. A regulatory agency has notified us that continued advances would constitute an unsafe and unsound practice; or
  7. The maximum annual percentage rate under your Account has been reached.

**Minimum Payment Requirements:** You can obtain credit advances for 10 years (the “Draw Period”). Advances will bear interest at the “Variable Rate” described below (the portion of the line which bears interest at the Variable Rate is hereinafter referred to as the “Variable Rate Portion”). Payments during the Draw Period will be due monthly. The minimum monthly payment during the Draw Period shall be an amount equal to the greater of: (i) Fifty Dollars (\$50); or (ii) the accrued and unpaid Finance Charges. Your minimum payment will also include any past due amounts, and any fees or charges. During the Draw period, the minimum monthly payment may not reduce the principal that is outstanding on your line of credit.

After the Draw Period ends, you will no longer be able to obtain credit advances and must pay the outstanding balance of your Account. The “Repayment Period” begins the first day after the Draw Period ends and continues for a maximum of twenty (20) years. The minimum monthly payment during the Repayment Period shall be the greater of: (i) One Hundred Dollars (\$100); or (ii) or the amount required to fully amortize the unpaid balance of the Variable Rate Portion of your Account, with interest at the then-current APR, over the remainder of the repayment period. The payment amount under this subsection (ii) will initially be calculated at the beginning of the Repayment Period.

**Minimum Payment Examples:** If you made only the minimum monthly payments and took no other credit advances, it would take **282** months to pay off a credit advance of \$10,000 at an **Annual Percentage Rate (APR)** of 7.75%. During that period, you would make **120** monthly payments varying between **\$59.45** and **\$65.82**, in the draw period followed by **161** monthly payments of **\$100.00** in the repayment period and a final payment of **\$22.70**.

**Other Charges and Fees:** To open and maintain an Account, you must pay the following fees to us:

**Origination Fee.** For purchase transactions used in combination with a 1st Security Bank mortgage loan an origination fee of \$325 will be assessed.

**Notary Fee.** If you choose to sign your loan documents with a mobile notary, a one-time third-party notary fee may apply, typically ranging from \$150 to \$350 depending on your location.

**Annual Fee.** An annual fee of \$60.00 for line amounts less than \$250,000 or \$125 for line amounts greater than or equal to \$250,000 will be assessed after the first (1st) year (i.e. anniversary date)

**Overlimit Fee.** In the event you incur charges in amounts exceeding your Credit Limit, an overlimit fee would be assessed when the New Balance on the billing date exceeds your credit limit by 5%. This fee amount is \$50.00 and will be charged for each instance where your Credit Limit is exceeded.

**Early Termination Fee.** An early termination fee of 2.00% of the line limit, not to exceed \$1,000, would be charged on any account open less than or equal to three (3) years.

**Late Fee.** We charge a late fee if we do not receive at least the Minimum Monthly Payment within fifteen (15) days after the payment due date, as stated on your monthly statement. The late fee for each late Payment will be five percent (5%) of the unpaid portion of the Minimum Monthly Payment amount or \$25.00 whichever is greater.

**Returned Item Fee.** We may charge a returned item fee if any check or other instrument given for payment on the Account is dishonored for any reason. The returned item fee will be \$35.00.

**Lien Release Fees.** To the extent not specifically prohibited by law, you will be charged certain of the costs and fees for the release of our security interests in the Property at the time you fully repay your line of credit and request that the line be closed. These may include, but are not limited to, the official fees for recording a reconveyance, the official fees for recording a document reflecting the substitution of a trustee under the Deed of Trust if done in connection with the reconveyance, the trustee's fee for preparing and recording those documents, and our fee for preparing and delivering a payoff statement or other document showing the balance owing on your account at payoff. You agree to pay these future lien release costs and fees. Our current estimate of these amounts is \$360.00, but the actual amounts when they are incurred may be higher.

You may also pay certain fees to third parties such as appraisers, brokers, credit reporting firms, and government agencies. These fees generally total between \$194.00 and \$1,722.00. If you ask, we will provide you with an itemization of the fees you will have to pay to third parties. You must also carry insurance on the property that secures this loan.

**Refundability of Fees:** If you decide not to enter into this plan within three days of receiving this disclosure and the Consumer Financial Protection Bureau home equity line of credit brochure, you are entitled to a refund of any fee you may have already paid. **In addition to this disclosure, you should keep a copy of the Consumer Financial Protection Bureau home equity line of credit brochure we provided you.**

**Minimum Draw Requirement:** The minimum credit advance that you can receive is One Hundred Dollars (\$100.00).

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

**Variable Rate Features:** This plan has a variable rate feature and the Annual Percentage Rate, or "APR" (corresponding to the periodic rate) as well as the minimum monthly payment on the Variable Rate Portion can change as a result. The Annual Percentage Rate includes only interest and no other costs. The Annual Percentage Rate on the Variable Rate Portion is based on the value of an index. The index on the Variable Rate Portion is the "Prime Rate" as published in The Wall Street Journal "Money Rates" table published in each edition of The Wall Street Journal. To determine the Annual Percentage Rate that will apply to your Account, we add a margin to the value of the index. Review the Historic Example below. If the Index becomes unavailable for whatever reason, we will choose another Index which is also readily available and verifiable by you and which is beyond our control. We will notify you of the substitute or replacement Index. We may also change the margin if the Index becomes unavailable. The selection of any replacement Index and margin will be done in compliance with applicable law.

**Automatic Payments:** The Annual Percentage Rate on your Line is also subject to increase if we offered you a discounted rate in return for your authorization to have payments on your Line deducted automatically from a deposit account with us, and you accept our discounted rate offer but later terminate the automatic payment deduction.

**Rate Changes; Minimum and Maximum APR:** The Annual Percentage Rate can change daily. There is no limit on the amount by which the rate can change in any one year period, subject to the minimum and maximums set forth below. The minimum APR that can apply is 3.99%. The maximum APR that can apply during the plan is 18%. Ask us for the current index values, margins and Annual Percentage Rate for this plan. After you open a credit line, information will be provided on periodic statements that we send you.

**Maximum Rate and Payment Examples:** If you had an outstanding balance of \$10,000 at the beginning of the Draw Period, the minimum monthly payment at the maximum APR of 18% would be \$150.00. If you had an outstanding balance of \$10,000 at the beginning of the Repayment Period, the minimum monthly payment at the maximum APR of 18% would be \$154.33. This APR could be reached at the first month of the Repayment Period.

**Prepayment:** You may prepay all or any amount owing on your Account at any time without penalty. However, if you close your Account within the first three years after opening, you will be assessed an “Early Termination” Fee as disclosed in this document.

**Historical Examples:** The following tables show how the APR and the minimum payments for a single \$10,000 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 January. The tables assume 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.

The following table applies to home equity lines of credit with an initial rate of the type indicated under the heading **Variable Rate Features:**

Year	Index (%)	Margin(%)*	ANNUAL PERCENTAGE RATE (%) **	Minimum Monthly Payment
2011	3.250	1.000	4.250	35.42
2012	3.250	1.000	4.250	35.42
2013	3.250	1.000	4.250	35.42
2014	3.250	1.000	4.250	35.42
2015	3.500	1.000	4.500	37.50
2016	3.500	1.000	4.500	37.50
2017	3.750	1.000	4.750	39.58
2018	4.500	1.000	5.500	45.83
2019	5.500	1.000	6.500	54.17
2020	4.750	1.000	5.750	47.92
2021	3.250	1.000	4.250	35.42
2022	7.500	1.000	8.500	70.83
2023	8.500	1.375	9.875	82.29
2024	7.500	1.000	8.500	70.83
2025	6.750	1.000	7.750	64.58

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

\*\* This Annual Percentage Rate reflects the minimum APR allowed.

YOU SHOULD CHECK WITH YOUR LEGAL ADVISOR AND WITH OTHER MORTGAGE LIEN HOLDERS AS TO WHETHER ANY PRIOR LIENS CONTAIN ACCELERATION CLAUSES WHICH WOULD BE ACTIVATED BY A JUNIOR ENCUMBRANCE.

#### APPRAISAL DISCLOSURE

If your loan will be secured by a **first lien on a dwelling (1-4 family home)**, we will *promptly* give you a copy of the appraisal and any other written valuations, but not later than three business days prior to the closing of your home equity line of credit transaction. You may elect to waive the three business day timing requirement.

If your loan will be secured by a subordinate lien, you may receive a copy of the appraisal report used in connection with your loan application. To receive a copy of the appraisal report, please send your request to us in writing at the address below. In your written request please include your name, application number, mailing address, and address of the property that was appraised. You may be required to pay 1st Security Bank of Washington the amount it cost the Bank to obtain the appraisal. It is possible you may not receive the appraisal report prior to your loan closing date. Please send your written request to:

1st Security Bank of Washington  
 PO Box 97000  
 Lynnwood, WA 98046