

# Line of Credit Contract and Truth-in-Lending Disclosure

## GR CONSUMERS 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 others 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 stated 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. The total amount owing under this contact at any time may not exceed your credit limit.

(See Section 2 above)

2. Payments are \$4.00 per \$100 borrowed per month and are due on the 20<sup>th</sup> day of each month. (See Section 5)

3. If a payment is 7 days or more late, we can charge you up to 20% of the interest due, but no less than

25 cents. (See Section 4)

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 the Credit Union all money that anyone borrows under this contract plus FINANCE CHARGE figured at the daily and corresponding ANNUAL PERCENTAGE RATE of 15%.

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 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 your account on our records.

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

1. The applicable daily rate, 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 earlier in 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 earlier in this contract. We call this the "due date."

The amount of each minimum payment is also stated earlier.

There is one exception to the "due date" we mentioned above. If there was no principal balance prior to an 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 early all or part of what you owe.

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 amounts owing under the contract from the time he or she signs it until it is paid in full, no matter how long it takes.

If a “cosigner-guarantor” wants to stop his or her responsibility under this contract, that person must give us a written notice telling us that. Then that person won’t be responsible for any new advances made after we receive the notice. But, of course, he or she stays liable for advances 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 decline to make further advances under this contract. You may terminate your right to receive further advances at any time. In any such event, you still must pay us all the money you owe us 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 set forth in Section 1 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, 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 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 skip a payment, or to send in a partial-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 or 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.