



Northern Bank

IMPORTANT TERMS OF OUR HOME EQUITY LINE OF CREDIT (With Conversion Option)

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

Availability of Terms. All of the terms disclosed 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 mortgage 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 and require you to pay us the entire outstanding balance in one payment; (2) refuse to make additional extensions of credit; (3) reduce your credit limit; and (4) make specific changes that are set forth in your agreement with us. If you ask, we will give you more specific information about when we can take these actions.

Fees and Charges. To open a home equity line of credit, you will not be required to pay any fees to us or to any third part except under the following circumstances: 1) A property appraisal is required. We will perform a market evaluation of a single family dwelling at no cost to you. If the property is a multi-unit property, or if you do not agree with the market valuation, such that an appraisal is required, you will pay the cost of the appraisal. The charge for an appraisal ranges from \$200 to \$700; or 2) If the property is not located in Massachusetts, title is not held in the name of individual borrowers (for example, title is held in the name of a trust or other entity), or a full title exam is required, you will pay the cost of the legal fees. Legal fees range from \$200 to \$1000. These are examples of special circumstances under which a third party fee might be charged. These examples are not all-inclusive. The Bank will contact you if fees will be charged. You must carry insurance on the property that secures this line of credit. You will pay an annual fee in the amount of \$50.00 each year (waived for the first year). In the event that you pay in full and terminate your account with us within thirty-six months from the date your Account is opened, you will pay to us an account termination fee of \$500.00.

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

Minimum Payment Requirements. You can obtain advances of credit for ten years (the "draw period"). During the draw period, payments will be due monthly. Your minimum payment will equal the Finance Charges that accrued on the outstanding balance during the preceding billing cycle. During the draw period, the minimum payment will not reduce the principal that is outstanding on your line. After the draw period ends, you will no longer be able to obtain credit advances and must repay the outstanding balance over ten years (the "repayment period"). During the repayment period, payments will be due monthly. Your minimum payment will equal 1/120th of the principal balance that was outstanding at the end of the draw period plus the finance charges that have accrued on the outstanding balance during the preceding billing cycle.

Conversion Option. So long as you are not in default, you will have a one-time option at any time during the draw period to convert some or all of the outstanding principal balance from a variable interest rate to a fixed





interest rate equal to the Wall Street Journal Prime Rate (defined in the Variable Rate Information section below) plus .50% for up to a 5 year or a 10 year term. The fixed interest rate will not exceed a rate equivalent to an **ANNUAL PERCENTAGE RATE** of 18% (or the maximum rate permitted by applicable law) nor will it be less than a rate equivalent to an **ANNUAL PERCENTAGE RATE** of 6.99%. You will be required to execute documentation evidencing your exercise of the option before the option will become effective. The minimum conversion amount is \$10,000.00. You will pay a conversion fee of \$250.00 at the time the conversion option is exercised. Your credit line will be reduced by the principal amount converted. You will make monthly payment of principal on interest on the converted amount, which shall be in an amount sufficient to repay the converted amount in full by the end of its repayment term.

Minimum Payment Example. If you made only the minimum monthly payments and took no other credit advances, it would take twenty years to pay off a credit advance of \$10,000.00 at an **ANNUAL PERCENTAGE RATE** of 4.00%. During that period, you would make 120 monthly payments of \$32.88 followed by 120 monthly payments of \$117.02-83.61.

Minimum Draw Requirements. The minimum advance you can receive is \$500.00

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

Variable Rate Information. The line has a variable rate feature, and the **ANNUAL PERCENTAGE RATE** (“APR”) (corresponding to the periodic rate) and the minimum payment can change as a result. The **ANNUAL PERCENTAGE RATE** includes only interest and not other costs. The **ANNUAL PERCENTAGE RATE** is based on the value of the index. To determine the **ANNUAL PERCENTAGE RATE** that will apply to your line, we add a margin to the value of the index.

The **ANNUAL PERCENTAGE RATE** will be adjusted by us monthly to be effective on the first day of each month to be equal to the highest Prime Rate as published in the Money Rates section of the Wall Street Journal on our last business day of the preceding month (the "Index" or "Prime Rate") (or, if the Prime Rate is not published on our last business day of the preceding month, then the **ANNUAL PERCENTAGE RATE** will be equal to the highest Prime Rate as last published) plus .50% (the "Margin"). The Prime Rate is a reference rate. In the event that such rate is no longer published, we will select another index which has a historical movement substantially similar to that of the original index. Ask us for the current index values, margin, discount and **ANNUAL PERCENTAGE RATE**. After you open a credit line rate information will be provided on periodic statements that we send you.

Rate Changes. The **ANNUAL PERCENTAGE RATE** can change each month. The maximum **ANNUAL PERCENTAGE RATE** that can apply is 18% and the minimum **ANNUAL PERCENTAGE RATE** that can apply is 4.00%. Except for this 18% "cap" and 4.00% "floor" there is no limit on the amount by which the rate can change during any one year period.

Maximum Rate and Payment Examples. If you had an outstanding balance of \$10,000.00 at the beginning of the draw period, the minimum monthly payment at the maximum **ANNUAL PERCENTAGE RATE** of 18% would be \$147.95. This **ANNUAL PERCENTAGE RATE** could be reached during the first month of the draw period. If you had an outstanding balance of \$10,000.00 at the beginning of the repayment period, the minimum



monthly payment at the maximum **ANNUAL PERCENTAGE RATE** of 18% would be \$231.28. This **ANNUAL PERCENTAGE RATE** could be reached during the first month of the repayment period.

Historical Example. The following table shows how the **ANNUAL PERCENTAGE RATE** and the minimum monthly payments for a single \$10,000.00 credit advance would have changed based on changes in the index over the past 15 years. The index values for The Wall Street Journal Prime Rate are from June 30th of each year. While only one payment amount range per year is shown, payments 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*	ANNUAL PERCENTAGE RATE	MINIMUM MONTHLY PAYMENT
DRAW PERIOD	2006	8.25%	+0.50%	8.75%	\$71.92
	2007	8.25%	+0.50%	8.75%	\$71.91
	2008	5.00%	+0.50%	5.50%	\$45.21
	2009	3.25%	+0.50%	4.00%	\$32.88
	2010	3.25%	+0.50%	4.00%	\$32.88
	2011	3.25%	+0.50%	4.00%	\$32.88
	2012	3.25%	+0.50%	4.00%	\$32.88
	2013	3.25%	+0.50%	4.00%	\$32.88
	2014	3.25%	+0.50%	4.00%	\$32.88
	2015	3.25%	+0.50%	4.00%	\$32.88
REPAYMENT PERIOD	2016	3.50%	+0.50%	4.00%	\$116.21
	2017	4.25%	+0.50%	4.75%	\$118.47
	2018	5.00%	+0.50%	5.50%	\$119.49
	2019	5.50%	+0.50%	6.00%	\$117.85
	2020	3.25%	+0.50%	4.00%	\$103.06

*This is a margin we have used recently.

+This rate has been adjusted to reflect the 4.00% floor.

Revised 7/2020 (Owner Occupied)