

**IMPORTANT INFORMATION ABOUT
WATERTOWN SAVINGS BANK'S
HOME EQUITY LINE OF CREDIT**
4.25% Depository Customer

This Disclosure contains important information about the Home Equity Line of Credit (the "**Credit Line**") at Watertown Savings Bank (the "**Bank**"). You should read it carefully and keep a copy for your records.

1. **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 the Bank, you are entitled to a refund of any fees that you paid in connection with your application. You should submit your application within 30 days of receipt of this disclosure.

2. **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.

3. **Possible Actions.** We can terminate your credit account and require you to pay us the entire outstanding balance in one payment and impose fees upon termination if: (a) you engage in fraud or material misrepresentation in connection with the Credit Line, (b) you do not meet the repayment terms of the Credit Line, or (c) your action or inaction adversely affects the property for the Credit Line or our security interest in the property.

We can refuse to make additional extensions of credit or reduce your credit limit if: (d) the value of the real property securing the Credit Line declines significantly below its appraised value for purposes of the Credit Line, (e) we reasonably believe that you will not be able to meet the repayment obligations due to a material change in your financial circumstances, (f) you are in default of a material obligation of the Credit Line, (g) government action prevents us from imposing the annual percentage rate provided for in your Agreement with us or impairs our security interest such that the value of the interest is less than 120% of the Credit Line, (h) a government action prevents us from imposing the annual percentage rate provided for in your Agreement with us or impairs our security interest such that the value of the interest is less than 120% of the Credit Line, (i) a government authority has notified us that continued advances would constitute an unsafe business practice, or (j) we are entitled to terminate your Credit Line and to demand immediate payment in full under the terms of your Agreement with us, but have decided to take, temporarily, the alternative of prohibiting additional advances or of reducing the maximum credit limit.

We will provide you, upon your request, a list of categories of contract obligations that we consider "material obligations" as mentioned in subsection (f) above.

Generally, the terms of the Credit Line may not be changed except upon the mutual written consent of the Bank and you. However, we may change the terms of your Credit Line if the change is insignificant or if it is beneficial to you. We may also prohibit you from receiving additional advances or reduce your credit limit during any period in which the maximum annual percentage rate for your Credit Line is reached.

4. **The term "finance charge" is the dollar amount that the loan will cost you and is intended to be synonymous with the word interest as used in this disclosure.**

5. **Minimum Payment Requirements.** The term of the Credit Line for which you can obtain advances of credit, the "Draw Period", is the same as the overall term of the Credit Line and will depend upon the number of billing cycles agreed upon by you and the Bank under the payment plan described below. However, in no event will the term of the Credit Line exceed twenty years.

Your payments will be due monthly and will include all interest then due on the principal balance, together with a principal payment to be calculated by dividing the loan at the end of the billing cycle by the number of billing cycles in the term of your Credit Line. However, the Bank will require a minimum payment of at least \$200.00 each billing cycle. If the interest and principal balance outstanding at the end of the billing cycle is less than \$200.00, you must make a minimum payment of the entire outstanding balance.

The amount of interest included in each payment will be all of the interest owing as of the time the billing statement is prepared. The interest is computed by applying the daily periodic rate to the average daily balance and multiplying the result times the number of days in the billing cycle. The daily periodic rate is the applicable loan interest rate (annual percentage rate) in effect for that month divided by 365. Payments are credited first to interest, second to principal, and third to credit life insurance if you have purchased such insurance, and finally to late charges.

The term of your Credit line may be between five and twenty years. As a result, you will be required to repay the entire principal balance and any accrued interest then owing by the end of the Credit Line term agreed upon by you and the Bank.

Under most circumstances, the minimum payments will not repay the balance that is outstanding on your Credit Line by the end of the Credit Line term agreed upon by you and the Bank. You will then be required to pay the entire balance in a single payment.

THE TERM OF YOUR CREDIT LINE WILL BE DETERMINED BY YOU AND THE BANK. BECAUSE OF THE "REVOLVING" NATURE OF YOUR CREDIT LINE, IN ADDITION TO YOUR MONTHLY PAYMENTS DESCRIBED IN THIS DOCUMENT, YOU WILL BE REQUIRED TO REPAY THE ENTIRE PRINCIPAL BALANCE OWING AT THE END OF YOUR CREDIT LINE TERM PLUS ANY ACCRUED INTEREST.

THE BANK HAS NO OBLIGATION TO REFINANCE THIS CREDIT LINE AT THE END OF YOUR CREDIT LINE TERM. THEREFORE, YOU MAY BE REQUIRED TO REPAY THE BALANCE OF YOUR CREDIT LINE OUT OF ASSETS YOU OWN OR YOU MAY HAVE TO FIND ANOTHER LENDER WILLING TO REFINANCE THAT BALANCE.

ASSUMING THIS BANK OR ANOTHER LENDER REFINANCES THE BALANCE AT MATURITY, YOU WILL PROBABLY BE CHARGED INTEREST AT MARKET RATES PREVAILING AT THAT TIME AND SUCH RATES MAY BE HIGHER THAN THE INTEREST RATE ON THIS CREDIT LINE. YOU MAY ALSO HAVE TO PAY SOME OR ALL OF THE CLOSING COSTS NORMALLY ASSOCIATED WITH A NEW CREDIT LINE MORTGAGE.

SEE REVERSE SIDE FOR ADDITIONAL DISCLOSURES

Signature

Date

Signature

Date

6. **Minimum Payment Example.** If you took a single \$10,000.00 advance on the first day of your Credit Line, assuming that you did not purchase credit life insurance and assuming a fifteen year loan term and an ANNUAL PERCENTAGE RATE of 4.25% as the discounted introductory interest rate for the first thirty-six billing cycles, and then an ANNUAL PERCENTAGE RATE OF 4.50% “reflecting the minimum rate limitation at the thirty-seventh billing cycle”, it would take four years and eight months (56 billing cycles) to pay off the advance if you made only the minimum monthly payments. During that period, you would make 55 minimum payments of \$200.00 and a final payment of \$34.46.

7. **Fees and Charges.** To open and maintain a line of credit, you must pay certain fees to third parties. These fees generally range from \$615.00 to \$2,500.00, depending upon the amount of your credit limit and the location of the property securing your Credit Line. In addition, we require that you obtain property insurance on the property securing your Credit Line. The cost of title insurance and the amount of the mortgage recording tax shall be based on the maximum credit limit whether or not that amount is advanced. Upon request, we will provide you with a more detailed itemization of the fees you will have to pay third parties.

Late Charges. If a payment is late (more than 15 days after due) you will be charged a 2% of the amount of the payment that is due.

8. **Minimum Draw Requirement and Credit Limit.** The minimum credit advance that you can receive is \$500.00. The minimum credit limit available is \$15,000.00.

9. **Tax Deductibility.** You should consult a tax advisor regarding the deductibility of interest and charges for the Credit Line.

10. **Variable Rate Feature.** The Credit Line has a variable rate feature, and the annual percentage rate (corresponding to the periodic rate) and the minimum monthly payment can change as a result. The initial percentage rate is discounted to 4.25% until the thirty-seventh billing cycle and includes only interest and no other costs. Negative amortization does not apply to this loan. Your initial percentage rate will be fixed for thirty-six complete billing cycles and will be based on market conditions at the time of closing. Beginning with the thirty-seventh complete billing cycle, the annual percentage rate will be based on the value of an index or the minimum floor rate. The index is the "Prime Rate" as published in the *Wall Street Journal*. When more than one Prime Rate may be published in any edition, the index will be the highest of the Prime Rates set forth. To determine the annual percentage rate that will apply to your Credit Line, we add a margin to the value of the index on the last Bank business day prior to the start of the billing cycle. Ask us for the current index value, margin, initial rate premium or discount, and annual percentage rate. After you open a Credit Line, rate information will be provided on periodic statements that we send you.

11. **Rate Changes.** The annual percentage rate will be fixed for the first thirty-six complete billing cycles. Beginning with the thirty-seventh billing cycle, the annual percentage rate may change each billing cycle. Billing cycles run approximately from the third Saturday of one month to the third Saturday of the next month. The minimum ANNUAL PERCENTAGE RATE that can apply after the thirty-sixth billing cycle and during the remaining term of the Credit Line is 4.50% and the maximum ANNUAL PERCENTAGE RATE that can apply during the term of the Credit Line is 14.90%. Apart from this rate “floor” and rate “cap” there is no limit on the amount by which the rate can change during any one-monthly period beginning with the thirty-seventh billing cycle. The minimum rate or the maximum rate can be reached in the thirty-seventh billing cycle of your Credit Line.

12. **Minimum Rate and Maximum Rate and Payment Example.** If you had an outstanding balance of \$10,000.00 at the beginning of your loan term, assuming a fifteen-year loan term, the minimum monthly payment at the minimum ANNUAL PERCENTAGE RATE of 4.50% and at the maximum ANNUAL PERCENTAGE RATE OF 14.90% would be \$200.00. This amount reflects the operation of the minimum payment amount of \$200.00. Any amounts included in the minimum payment amount which are in excess of accrued interest, principal and credit life insurance premiums, if purchased, for the current month will be credited directly to principal.

13. **Historical Example.** The following table shows how the annual percentage rate and the minimum monthly payments for a single \$10,000.00 cash advance would have changed based on changes in the index over the past fifteen years. The index values for the Prime Rate are from January of each year. While only one payment amount per year is shown, payments would have varied during each year.

14. **No closing cost option.** If you select the no closing cost option and this loan is terminated for any reason within three (3) years of the date of loan closing, borrowers agree to reimburse Lender for the total cost of these fees which were paid by Lender in connection with this loan. These fees will be payable, in full, upon demand by the Lender.

The table assumes that (a) no additional credit advances were taken, (b) you did not purchase credit life or disability insurance, (c) only the minimum monthly payment was made, and (d) the annual percentage rate remained constant during each year. It does not necessarily indicate how the index or your payments would change in the future.

<u>YEAR</u>	<u>INDEX (%)</u>	<u>MARGIN+</u>	<u>APR</u>	<u>PAYMENT</u>
2004.....	4.00	.00	3.99	200.00(*)
2005.....	5.75	.00	5.75	
2006.....	7.25	.00	7.25	
2007.....	8.25	.00	8.25	
2008.....	7.25	.00	7.25	
2009.....	3.25	.00	3.99#	
2010.....	3.25	.00	3.99#	
2011.....	3.25	.00	3.99#	
2012.....	3.25	.00	3.99#	
2013.....	3.25	.00	3.99#	
2014.....	3.25	.00	3.99#	
2015.....	3.25	.00	3.99#	
2016.....	3.50	.00	2.99~	
2017.....	4.25	.00	3.49~	
2018.....	5.50	.00	4.25~	
2019.....	5.50	.00	4.25~	

- + This is a margin we have used recently.
- ° This rate reflects the 14.9% maximum rate limitation.
- * This reflects a minimum payment of \$200.00.
- # This rate reflects the 3.99% minimum rate limitation.
- ~ This rate reflects the discounted introductory rate.

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 JUNIOR ENCUMBRANCE.

**IMPORTANT INFORMATION ABOUT
WATERTOWN SAVINGS BANK'S
HOME EQUITY LINE OF CREDIT**
5.25% Non-Depository Customer

This Disclosure contains important information about the Home Equity Line of Credit (the "**Credit Line**") at Watertown Savings Bank (the "**Bank**"). You should read it carefully and keep a copy for your records.

1. **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 the Bank, you are entitled to a refund of any fees that you paid in connection with your application. You should submit your application within 30 days of receipt of this disclosure.
2. **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.
3. **Possible Actions.** We can terminate your credit account and require you to pay us the entire outstanding balance in one payment and impose fees upon termination if: (a) you engage in fraud or material misrepresentation in connection with the Credit Line, (b) you do not meet the repayment terms of the Credit Line, or (c) your action or inaction adversely affects the property for the Credit Line or our security interest in the property.

We can refuse to make additional extensions of credit or reduce your credit limit if: (d) the value of the real property securing the Credit Line declines significantly below its appraised value for purposes of the Credit Line, (e) we reasonably believe that you will not be able to meet the repayment obligations due to a material change in your financial circumstances, (f) you are in default of a material obligation of the Credit Line, (g) government action prevents us from imposing the annual percentage rate provided for in your Agreement with us or impairs our security interest such that the value of the interest is less than 120% of the Credit Line, (h) a government action prevents us from imposing the annual percentage rate provided for in your Agreement with us or impairs our security interest such that the value of the interest is less than 120% of the Credit Line, (i) a government authority has notified us that continued advances would constitute an unsafe business practice, or (j) we are entitled to terminate your Credit Line and to demand immediate payment in full under the terms of your Agreement with us, but have decided to take, temporarily, the alternative of prohibiting additional advances or of reducing the maximum credit limit.

We will provide you, upon your request, a list of categories of contract obligations that we consider "material obligations" as mentioned in subsection (f) above.

Generally, the terms of the Credit Line may not be changed except upon the mutual written consent of the Bank and you. However, we may change the terms of your Credit Line if the change is insignificant or if it is beneficial to you. We may also prohibit you from receiving additional advances or reduce your credit limit during any period in which the maximum annual percentage rate for your Credit Line is reached.

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Your payments will be due monthly and will include all interest then due on the principal balance, together with a principal payment to be calculated by dividing the loan at the end of the billing cycle by the number of billing cycles in the term of your Credit Line. However, the Bank will require a minimum payment of at least \$200.00 each billing cycle. If the interest and principal balance outstanding at the end of the billing cycle is less than \$200.00, you must make a minimum payment of the entire outstanding balance.

The amount of interest included in each payment will be all of the interest owing as of the time the billing statement is prepared. The interest is computed by applying the daily periodic rate to the average daily balance and multiplying the result times the number of days in the billing cycle. The daily periodic rate is the applicable loan interest rate (annual percentage rate) in effect for that month divided by 365. Payments are credited first to interest, second to principal, and third to credit life insurance if you have purchased such insurance, and finally to late charges.

The term of your Credit line may be between five and twenty years. As a result, you will be required to repay the entire principal balance and any accrued interest then owing by the end of the Credit Line term agreed upon by you and the Bank.

Under most circumstances, the minimum payments will not repay the balance that is outstanding on your Credit Line by the end of the Credit Line term agreed upon by you and the Bank. You will then be required to pay the entire balance in a single payment.

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SEE REVERSE SIDE FOR ADDITIONAL DISCLOSURES

Signature

Date

Signature

Date

6. **Minimum Payment Example.** If you took a single \$10,000.00 advance on the first day of your Credit Line, assuming that you did not purchase credit life insurance and assuming a fifteen year loan term and a ANNUAL PERCENTAGE RATE of 5.25% as the discounted introductory interest rate for the first thirty-six billing cycles, and then an ANNUAL PERCENTAGE RATE OF 5.50% “reflecting the minimum rate limitation” it would take four years and eight months (57 billing cycles) to pay off the advance if you made only the minimum monthly payments. During that period, you would make 56 minimum payments of \$200.00 and a final payment of \$119.67.

7. **Fees and Charges.** To open and maintain a line of credit, you must pay certain fees to third parties. These fees generally range from \$615.00 to \$2,500.00, depending upon the amount of your credit limit and the location of the property securing your Credit Line. In addition, we require that you obtain property insurance on the property securing your Credit Line. The cost of title insurance and the amount of the mortgage recording tax shall be based on the maximum credit limit whether or not that amount is advanced. Upon request, we will provide you with a more detailed itemization of the fees you will have to pay third parties.

Late Charges. If a payment is late (more than 15 days after due) you will be charged 2% of the amount of the payment that is due.

8. **Minimum Draw Requirement and Credit Limit.** The minimum credit advance that you can receive is \$500.00. The minimum credit limit available is \$15,000.00.

9. **Tax Deductibility.** You should consult a tax advisor regarding the deductibility of interest and charges for the Credit Line.

10. **Variable Rate Feature.** The Credit Line has a variable rate feature, and the annual percentage rate (corresponding to the periodic rate) and the minimum monthly payment can change as a result. The initial percentage rate is discounted to 5.25% until the thirty-seventh billing cycle and includes only interest and no other costs. Negative amortization does not apply to this loan. Your initial percentage rate will be fixed for the first thirty-six complete billing cycles and will be based on market conditions at the time of closing. Beginning with the thirty-seventh billing cycle, the annual percentage rate will be based on the value of an index or the minimum floor rate. The index is the "Prime Rate" as published in the *Wall Street Journal*. When more than one Prime Rate may be published in any edition, the index will be the highest of the Prime Rates set forth. To determine the annual percentage rate that will apply to your Credit Line, we add a margin to the value of the index on the last Bank business day prior to the start of the billing cycle. Ask us for the current index value, margin, initial rate premium or discount, and annual percentage rate. After you open a Credit Line, rate information will be provided on periodic statements that we send you.

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The table assumes that (a) no additional credit advances were taken, (b) you did not purchase credit life or disability insurance, (c) only the minimum monthly payment was made, and (d) the annual percentage rate remained constant during each year. It does not necessarily indicate how the index or your payments would change in the future.

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2015.....	3.25	.00	3.99#	
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- ° This rate reflects the 14.9% maximum rate limitation.
- * This reflects a minimum payment of \$200.00.
- # This rate reflects the 3.99% minimum rate limitation.
- ~ This rate reflects the discounted introductory rate.

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 JUNIOR ENCUMBRANCE.