SOUTHERN SECURITY
FEDERAL CREDIT UNION

Skip-a-Month Payment Option - Important Items You Need to Know

This disclosure contains important information about our Skip-a-Month payment option. You should read it carefully and keep a copy for your records. If there is anything you do not understand about the terms and conditions, or the effect this payment option might have on the final cost of your loan, a Loan Officer will be happy to assist you.

For every new loan (excluding fixed rate, 1st and 2nd mortgage loans) with Southern Security FCU, members now have the option to skip one month's payment (or it's equivalent, if you are paying weekly, bi-weekly, etc.) within a 12-month period. Loans must be current and have no delinquency history, and have a minimum of 6 monthly payments (or the equivalent) already made in order to be eligible for this option.

There is a one-time fee charged in connection with this option - but you will incur additional costs.

Although we charge a small fee for your use of this option, there is an additional cost to you - in the form of additional interest that will accrue on your loan, and additional credit insurance premiums. A brief explanation of how these charges are calculated on a simple interest loan will help you understand why this will occur. When you obtain your loan, there are three items that we must estimate: interest, credit insurance fees and late fees.

On a simple interest loan, no interest is pre-paid. Each day, interest is added to your principal loan balance based on the daily interest due on your principal balance. Naturally, the larger your balance is on a given date, the higher the daily interest. This daily interest accumulates until you make a payment. At that time, all interest accrued since your last payment is collected, and the remainder of your payment amount applied to the principal balance. Your new daily interest amount is based on this new, lower principal balance.

Credit insurance premiums (credit life and/or credit disability coverage) are added to your loan monthly, usually on the last day of each month. The premium amount due is also based on the principal balance of your loan on that date. As payments are made, and your loan balance reduces, this monthly insurance premium also shrinks.

Late fees are due on any payment made when the loan is past due. This fee maximum is $25.00.

When your loan is initially calculated, these three charges must be estimated - since the actual amounts depend upon how and when your loan is repaid. Our estimates are simply based on the prediction that each loan payment will be made on the date it become due. Each time you make a loan payment *before* it's due date (or pay an additional amount over and above your scheduled payment amount), slightly less interest is due than we originally estimated - so slightly more is paid on the principal balance of your loan. Each time a payment is made *after* its due date (or whenever a late fee is deducted from a late payment), there is a smaller amount applied to the principal balance. As these conditions occur over the life of a loan the net result might be that you owe slightly more or less at the very end of your loan than our original estimate.

How does Skip-a-Month affect your loan?

As you can see from the above, if you exercise this option on your loan, approximately a 2-month period will elapse without a principal balance reduction - so daily interest (and any credit insurance premiums) will be slightly higher during the last month of that period than if another loan payment had been made. No late fees will be charged - and exercising this option will have no adverse effect on your credit history. Just remember that skipping one payment will actually add *more* to the end of your loan than that one payment amount. The additional amount you will pay in interest and insurance premiums will be determined by two factors: the size of your loan and the length of time the payment are deferred. Naturally, payments deferred on a smaller loan will ultimately cost less that payments skipped on a large loan - since the daily interest is substantially less. Payments skipped later in the life of a loan will cost you less, since the payment is deferred over a shorter period of time.

Skip-a-Month Acknowledgement

It is mutually agreed; in consideration of a $30.00 fee that one month of my loan payments on Account Number

______________________ will be skipped.

My current due date is _____________, 20______ and my new due date is ______________, 20______.

All other terms and provisions of the original loan agreement are unchanged and remain in their original status. I (we) acknowledge that we have read and understand the information contained on page one of this disclosure.

____ ____________________________________

Signature of Borrower Signature of Co-Borrower

____

Date

THIS AGREEMENT MUST BE SIGNED BY ALL BORROWERS AND CO-BORROWERS

<u>This is not an option for any REAL ESTATE LOAN or HELOC</u>

Skip-a-Month checklist, all questions MUST be answered YES.
If any question is answered NO the skip-a-month cannot be granted.

Has the loan been open at least 6 months?
Is the loan current?
Has it been at least 12 months since any previous payment skip?

<u>(Credit $30 fee to GL #131036)</u>