

CONSUMER LOAN CREDIT APPLICATION

Branch _____

IMPORTANT: Read these directions before completing this application.

(Check the appropriate box)

- If you are applying for an individual account in your own name and are relying on your own income or assets and not the income or assets of another person as the basis for repayment of the credit request, complete all sections except the co-applicant sections.
- If you are applying for a joint account that you and another person will use, complete all Sections, providing information about the joint applicant or user in the co-applicant sections.

We intend to apply for joint credit. _____ Applicant-initials _____ Co-Applicant-initials

- If you are applying for an individual account, but are relying on income from alimony, child support, or separate maintenance or on the income or assets of another person as the basis for repayment of the credit requested, complete all Sections to the extent possible, providing information about the person on whose alimony support or maintenance payments or income or assets you are relying, in the co-applicant sections.

Loan Request	Amount Requested	Term
	Type of loan: ___ Unsecured loan ___ Auto loan ___ Home Equity loan ___ Home Equity Line of Credit ___ Secured other	
	Purpose of loan: What are you going to do with the money? For example - Home Improvements, buy a car, etc. (This box must be completed) Will the proceeds of this loan, in whole, or in part, be used to pay for post secondary educational expenses? <input type="radio"/> Yes <input type="radio"/> No	
	Home Equity loan: If you are applying for a Home Equity Loan, the proceeds of the loan will be used for: 1. ___ Home Improvements 3. ___ Refinance of an existing 1st or 2nd mortgage 2. ___ Home Purchase 4. ___ Other _____	

If item 1, 2 or 3 above is checked, please complete Government Monitoring information on reverse side of this application.

Applicant	Last Name		First Name		Middle Init.	Date of Birth Month / Day / Year		Number of dependents (Include Self):	
	Present Address (if P.O. Box must include street address)		City	County	State	Zip Code	How Long	<input type="radio"/> Own <input type="radio"/> Rent	Payment
	Previous Address		City	County	State	Zip Code	How Long	<input type="radio"/> Own <input type="radio"/> Rent	Payment
	Social Security No.		Driver's License No.		State	Home Phone Number ()			
	Name, Address & Phone of Close Relative or Friend not living with you					Telephone Number of Reference ()			
	Are you a U.S. Citizen? <input type="radio"/> Yes <input type="radio"/> No			If No: Are you a permanent resident alien? <input type="radio"/> Yes <input type="radio"/> No					

Co-Applicant	Last Name		First Name		Middle Init.	Date of Birth Month / Day / Year		Relationship to Applicant	
	Present Address (if P.O. Box must include street address)		City	County	State	Zip Code	How Long	<input type="radio"/> Own <input type="radio"/> Rent	Payment
	Social Security No.		Driver's License No.		State	Home Phone Number ()			
	Are you a U.S. Citizen? <input type="radio"/> Yes <input type="radio"/> No			If No: Are you a permanent resident alien? <input type="radio"/> Yes <input type="radio"/> No					

Employment Applicant	Name of Employer		Position		Years Employed		Business Phone ()	
	Address of Employer		City	County	State	Zip Code	Self Employed <input type="radio"/> Yes <input type="radio"/> No	
	Name and Address of Previous Employer				Years Employed		Business Phone ()	

Employment Co-Applicant	Name of Employer		Position		Years Employed		Business Phone ()	
	Address of Employer		City	County	State	Zip Code	Self Employed <input type="radio"/> Yes <input type="radio"/> No	
	Name and Address of Previous Employer				Years Employed		Business Phone ()	

Income	PLEASE INDICATE ALL INCOME FIGURES AS MONTHLY AMOUNTS.					
		Gross Monthly Salary	Soc. Sec./Pension/Disability (indicate source)	Rental Income	Other Income (indicate source)	Total Monthly Income
	Applicant	\$	\$	\$	\$	\$
	Co-Applicant	\$	\$	\$	\$	\$

Note: Alimony, child support and separate maintenance payments need not be revealed unless you wish to rely on such income in applying for credit. If you are relying on alimony, child support or separate payments as a basis for the repayment of the credit you are applying for, be sure to complete the "Other Income" and "Co-applicant" sections.

Debts	List loans and installment debts, include bank, auto and finance company loans and credit/charge card accounts. Also list alimony, child support and separate maintenance payments. Indicate whether debt is in name of: A= Applicant, C = Co-Applicant, AC = Joint (Applicant & Co-Applicant), List Real Estate Debt in "Real Estate" section.						
	Type of Debt	Whose Debt?	To Whom Indebted	Account Number	Mo. Pay't.	Present Balance	Accounts to Pay-Off

If additional space is required check here and attach additional sheet.

Have you or joint applicant ever transacted any business in any other name, had any judgements, bankruptcies, attachments, garnishments or other legal proceedings against you? Yes No If yes, attach additional sheet stating name or names and full details, pertaining to each name.

Are you or co-applicant a co-maker, endorser or guarantor on any loan or contract? Yes If yes, to whom? No

Banking/ Assets	List present bank accounts. Indicate whether account is in name of: A = Applicant, C = Co-Applicant, AC - Joint (Applicant & Co-Applicant).				
	Your Bank(s)/Asset(s)	Whose account?	Type of Account	Account Number	Balance

COLLATERAL

Auto	Year	Make	Model	# of Cylinders	Mileage	4 Wheel Drive Yes or No	VIN

Other	Description of other collateral

Real Estate	Property	Property 1: Will Secure Loan? <input type="radio"/> Yes <input type="radio"/> No			Property 2: Will Secure Loan? <input type="radio"/> Yes <input type="radio"/> No		
	Name(s) of owners of property:						
		Is the property in the name of a Trust? <input type="radio"/> No <input type="radio"/> Yes Is there life use? <input type="radio"/> No <input type="radio"/> Yes			Is the property in the name of a Trust? <input type="radio"/> No <input type="radio"/> Yes Is there life use? <input type="radio"/> No <input type="radio"/> Yes		
	Property Address						
	Property Description	<input type="radio"/> 1 - 4 Family	<input type="radio"/> Owner Occupied	<input type="radio"/> Vacation Home	<input type="radio"/> 1 - 4 Family	<input type="radio"/> Owner Occupied	<input type="radio"/> Vacation Home
		<input type="radio"/> 5 Family or More	<input type="radio"/> Rental	<input type="radio"/> Condo	<input type="radio"/> 5 Family or More	<input type="radio"/> Rental	<input type="radio"/> Condo
	Lot and Block	Lot	Block	<input type="radio"/> Townhouse	Lot	Block	<input type="radio"/> Townhouse
				<input type="radio"/> Co-Op			<input type="radio"/> Co-Op
	Name and Address of Mortgage Holder or Landlord						
	Original Mortgage Amount						
Monthly payment including taxes and insurance							
Current Mortgage Balance							
Current Value							
Annual Taxes							

Marital Status	Complete this section ONLY if this is a joint application or if the loan will be secured by real estate.				
	Applicant:	<input type="radio"/> Married	<input type="radio"/> Civil Union Partner	<input type="radio"/> Separated	<input type="radio"/> Unmarried (includes single, divorced and widowed)
Co-Applicant:	<input type="radio"/> Married	<input type="radio"/> Civil Union Partner	<input type="radio"/> Separated	<input type="radio"/> Unmarried (includes single, divorced and widowed)	

Information for Government Monitoring Purposes	COMPLETE THIS SECTION ONLY IF THIS LOAN IS FOR: the purchase of a home, home improvement or refinance of a 1st or 2nd mortgage. Otherwise-do not complete. Do not complete if you are applying for a Home Equity Line of Credit.					
	The following information is requested by the Federal Government for certain types of loans related to a dwelling in order to monitor the lender's compliance with equal credit opportunity, fair housing, and home mortgage disclosure laws. You are not required to furnish this information, but are encouraged to do so. The law provides that a lender may discriminate neither on the basis of this information, nor on whether you choose to furnish it. If you furnish the information, please provide both ethnicity and race. For race, you may check more than one designation. If you do not furnish ethnicity, race, or sex, under Federal regulations, this lender is required to note the information on the basis of visual observation or surname. If you do not wish to furnish the information, please check the box below. (Lender must review the above material to assure that the disclosures satisfy all requirements to which the lender is subject under applicable state law for the particular type of loan applied for.)					
	BORROWER <input type="radio"/> I do not wish to furnish this information.			CO-BORROWER <input type="radio"/> I do not wish to furnish this information.		
	Ethnicity:	<input type="radio"/> Hispanic or Latino	<input type="radio"/> Not Hispanic or Latino	Ethnicity:	<input type="radio"/> Hispanic or Latino	<input type="radio"/> Not Hispanic or Latino
	Race:	<input type="radio"/> American Indian or Alaska Native	<input type="radio"/> Asian	<input type="radio"/> Black or African American	<input type="radio"/> American Indian or Alaska Native	<input type="radio"/> Asian
		<input type="radio"/> Native Hawaiian or Other Pacific Islander	<input type="radio"/> White		<input type="radio"/> Native Hawaiian or Other Pacific Islander	<input type="radio"/> White
Sex:	<input type="radio"/> Female	<input type="radio"/> Male	Sex:	<input type="radio"/> Female	<input type="radio"/> Male	
To be Completed by Interviewer	Interviewer's Name (print or type)					
This application was taken by:	Interviewer's Signature		Date			
<input type="radio"/> Face-to-face interview						
<input type="radio"/> Mail						
<input type="radio"/> Telephone	Interviewer's Phone Number (incl. area code)					
<input type="radio"/> Internet						

Customer ID	IMPORTANT INFORMATION ABOUT PROCEDURES FOR OPENING A NEW ACCOUNT
	To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account. What this means for you: When you open an account, we will ask for your name, address, date of birth, and other information that will allow us to identify you. We may also ask to see your driver's license or other identifying documents.

Signatures	YOU AUTHORIZE ANYONE MENTIONED HEREIN TO FURNISH US SUCH INFORMATION AS WE MAY REQUIRE IN CONNECTION WITH THIS APPLICATION AND AGREE THAT THE APPLICATION SHALL REMAIN OUR PROPERTY WHETHER OR NOT THE LOAN IS GRANTED. YOU AGREE TO NOTIFY US IMMEDIATELY UPON ANY MATERIAL CHANGE IN THE ABOVE STATEMENT.			
	YOU AFFIRM THAT EACH OF THE ANSWERS GIVEN TO THE FOREGOING QUESTIONS IS TRUE AND CORRECT AND THAT THE FOREGOING IS A TRUE AND CORRECT STATEMENT OF YOUR FINANCIAL CONDITION. IT IS A FEDERAL CRIMINAL OFFENSE TO KNOWINGLY MAKE ANY FALSE STATEMENT OR REPORT, OR TO WILLFULLY OVERVALUE ANY PROPERTY FOR THE PURPOSE OF INFLUENCING THE BANK TO ACT ON THIS APPLICATION.			
YOU AUTHORIZE LAKELAND BANK TO CHECK YOUR CREDIT, BUSINESS AND EMPLOYMENT HISTORY AND TO REPORT INFORMATION REGARDING YOUR CREDIT HISTORY TO CREDIT REPORTING AGENCIES AND OTHER PERSONS WE BELIEVE HAVE A LEGITIMATE BUSINESS REASON TO REQUEST SUCH INFORMATION.				
IF YOU ARE APPLYING FOR A HOME EQUITY LINE OF CREDIT, YOU ACKNOWLEDGE RECEIPT OF THE HOME EQUITY BROCHURE AND THE HOME EQUITY DISCLOSURE STATEMENT.				
Signature of Applicant	Date	Signature of Co-Applicant	Date	



IMPORTANT TERMS OF OUR HOME EQUITY LINE OF CREDIT

This disclosure contains important information about our HOME EQUITY LINE OF CREDIT. You should read it carefully and keep a copy for your records. You should also read and retain the Home Equity Credit Line Agreement which contains important disclosure information.

AVAILABILITY OF TERMS. All of the terms described below are subject to change. If any of 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 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: We can terminate your account, require you to pay us the entire outstanding balance in one payment, and charge you certain fees if:

- (a) You engage in fraud or material misrepresentation in connection with the line,
- (b) You do not meet the repayment terms,
- (c) Your action or inaction adversely affects the collateral or our rights in the collateral. We can refuse to make additional extensions of credit or reduce your credit limit if:
 - (a) The value of the dwelling securing the line declines significantly below its appraised value for the purposes of the line,
 - (b) We reasonably believe you will not be able to meet the repayment requirements due to a material change in your financial circumstances,
 - (c) You are in default of a material obligation in the agreement,
 - (d) Government action 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,
 - (e) A regulatory agency has notified us that continued advances would constitute an unsafe and unsound practice,
 - (f) The maximum annual percentage rate is reached.

The initial agreement permits us to make certain changes to the terms of the agreement at specified times or upon the occurrence of specified events.

MINIMUM-PAYMENT REQUIREMENTS. You can obtain advances of credit for 10 years (the “draw period”). You can choose one of two payment options for the draw period:

a) Monthly interest-only payments. Under this option, your payments will be due monthly and will equal the finance charges that accrued on the outstanding balance during the preceding month.

b) Principal plus interest. Under this option, your payments will be due monthly and will equal 0.417% of the outstanding balance on your line plus finance charges that accrued on the outstanding balance during the preceding month.

If the payment determined under option b) is less than \$50, the minimum payment will equal \$50 or the outstanding balance on your line, whichever is less. Under the monthly interest-only payment option, the minimum payment will not reduce the principal that is outstanding on your line. The Bank at its option may extend the draw period. If the Bank chooses not to extend the draw period, a notice will be sent to you not less than 60 days or more than 120 days prior to the expiration of any draw period notifying you that the draw period will not be extended. After the draw period ends, you will no longer be able to obtain credit advances and must repay the outstanding balance (the “repayment period”). The length of the repayment period will depend on the balance outstanding at the beginning of it. During the repayment period following the initial monthly interest-only payment draw period option, payments will be due monthly and will equal 0.556% of the outstanding balance or \$50, whichever is greater. During the repayment period following the Principal plus interest draw period option, payments will be due monthly and will equal 0.417% of the outstanding balance on your line plus finance charges that accrued on the outstanding balance or \$50, whichever is greater.

MINIMUM-PAYMENT EXAMPLES. If you took a single \$10,000 advance, made only the minimum monthly payments and took no other advances and the ANNUAL PERCENTAGE RATE was 3.75%:

a) Under the monthly interest-only payment option, it would take 30 years and 3 months to pay off the advance. During that period, you would make 120 payments of \$31.25, followed by 243 payments varying between \$86.37 and \$32.11.

b) Principal plus interest payment option, it would take 22 years and 6 months to pay off the advance. During that period, you would make 270 payments varying between \$72.95 and \$42.51

FEES AND CHARGES. To open and maintain a line of credit, you must pay certain fees and charges.

Lender Fees. The following fees must be paid to us:

Other Finance Charge: \$75.00 mortgage recording fee.

Other Lender Fees. If certain activities occur on your line of credit, we will impose certain fees that will be set forth in your Account Agreement. The following fees will be imposed upon the occurrence of the designated events.

Late Charges: Your payment will be late if it is not received by us within 15 days of the “Payment Due Date” shown on your periodic statement. If your payment is late we may charge you 5.000% of the payment.

Third Party Fees: You may be required to pay certain fees to third parties such as appraisers, credit reporting firms, and government agencies. These third party fees generally total between \$200.00 and \$500.00 for closing by an attorney of your choosing. New York City residents outside of the five boroughs will be charged a mortgage recording tax ranging from 1.02% to 1.05% of the maximum credit line amount. New York City residents within the five boroughs will be charged a mortgage recording tax ranging from 1.77% to 1.80% of the maximum credit line amount.) Upon request we will provide you with an itemization of fees you will have to pay to third parties.

PROPERTY INSURANCE. You must carry insurance on the property that secures the line.

NOTICE TO NEW YORK RESIDENTS:

TITLE INSURANCE AND MORTGAGE RECORDATION TAX. The cost of title insurance and mortgage recordation tax will be based on the maximum amount of the credit line available to you, whether or not the maximum amount has been advanced. **PRIOR LIENS. 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.**

TRANSACTION REQUIREMENTS. The following transaction limitations will apply to accessing your Credit Line by writing a HOME EQUITY CHECK.

Minimum Advance Amount. The minimum amount of any credit advance that can be made on your Credit Line is as follows:

\$200.00 per advance. This means any HOME EQUITY CHECK must be written for at least the minimum advance amount.

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

VARIABLE RATE FEATURE. The line has a variable rate feature. The annual percentage rate (corresponding to the periodic rate), and the minimum payment amount can change as a result. The annual percentage rate includes only interest and not other costs.

The index. The annual percentage rate is based on the value of an index (referred to in this disclosure as the "index"). The Index is the **Prime rate as published in the Wall Street Journal. When a range of rates has been published, the higher of the rates will be used.** Information about the Index is available or published at least weekly in the Wall Street Journal's Money Rates table. We will use the most recent Index value available to us as of the date of any annual percentage rate adjustment. If the Index is no longer available, we will choose a new Index and margin. The new Index will have an historical movement substantially similar to the original Index, and the new Index and margin will result in an annual percentage rate that is substantially similar to the rate in effect at the time the original Index became unavailable.

Annual Percentage Rate. To determine the annual percentage rate that will apply to your account, we add a margin to the value of the Index. A change in the Index rate generally will result in a change in the annual percentage rate. The amount that your annual percentage rate may change also may be affected by the lifetime annual percentage rate limits, as discussed below.

Please ask us for the current Index value, 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 daily. The minimum ANNUAL PERCENTAGE RATE that can apply is 3.75%. The maximum ANNUAL PERCENTAGE RATE that can apply is 18%. Apart from this rate "cap", there is no limit on the amount by which the rate can change during any one-year period.

MAXIMUM-RATE AND PAYMENT EXAMPLES. If the ANNUAL PERCENTAGE RATE during the draw period equaled the 18% maximum and you had an outstanding balance of \$10,000:

- a) Under the monthly interest-only payment option, the minimum monthly payment would be \$150.
 - b) Under the Principal plus interest payment option, the minimum monthly payment would be \$191.70.
- This annual percentage rate could be reached during the first month of the draw period.

If you had an outstanding balance of \$10,000 during the repayment period, the minimum monthly payment at the maximum ANNUAL PERCENTAGE RATE of 18% would be \$191.70. This annual percentage rate could be reached during the first month of the repayment period.

PREPAYMENT. You may prepay all or any amount owing under this line at any time without penalty.

HISTORICAL EXAMPLE. The following example shows how the annual percentage rate and the 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 are from the following reference period: as of the first business day in July. While only one payment per year is shown, payments may have varied during each year. Different outstanding principal balances could result in different payment amounts. The table assumes 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.

INDEX TABLE

Line Amount \$10,000

	Year	Index %	Margin* %	ANNUAL PERCENTAGE RATE	Payment - Interest only option	Principal Plus Interest
1	1997	2.99%	0.00%	2.99% **	\$24.92	\$66.59
2	1998	8.50%	0.00%	8.50%	\$70.83	\$107.00
3	1999	8.00%	0.00%	8.00%	\$66.67	\$97.60
4	2000	9.50%	0.00%	9.50%	\$79.17	\$103.53
5	2001	6.75%	0.00%	6.75%	\$56.25	\$79.80
6	2002	4.75%	0.00%	4.75%	\$39.58	\$62.98
7	2003	4.00%	0.00%	4.00%	\$33.33	\$55.30
8	2004	4.25%	0.00%	4.25%	\$35.42	\$54.06
9	2005	6.25%	0.00%	6.25%	\$52.08	\$62.53
10	2006	8.25%	0.00%	8.25%	\$68.75	\$70.04
11	2007	8.25%	0.00%	8.25%	\$123.66	\$66.62
12	2008	5.00%	0.00%	5.00%	\$90.46	\$50.00 ***
13	2009	3.75%	0.00%	3.75%	\$75.55	\$50.00 ***
14	2010	3.75%	0.00%	3.75%	\$70.66	\$50.00 ***
15	2011	3.75%	0.00%	3.75%	\$66.09	\$50.00 ***

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

**This rate reflects a discount we have used recently.

***This is our Minimum payment.

YOUR BILLING RIGHTS

KEEP THIS NOTICE FOR FUTURE USE.

This notice contains important information about your rights and our responsibilities under the Fair Credit Billing Act.

Notify Us in Case of Errors or Questions About Your Statement.

If you think your statement is wrong, or if you need more information about a transaction on your Statement, you should write us on a separate sheet at Lakeland Bank, 250 Oak Ridge Road, Oak Ridge, NJ 07438, as soon as possible. We must hear from you no later than 60 days after we sent you the first Statement on which the error or problem appeared. You can telephone us, but doing so will not preserve your rights.

In your letter, give us the following information:

- Your full name and account number.
- The dollar amount of the suspected error.
- Describe the error and explain, if you can, why you believe there is an error. If you need more information, you should describe the item you are not sure about.

Your Rights and Our Responsibilities After We Receive Your Written Notice

We must acknowledge your letter within 30 days unless we have corrected the error by then. Within 90 days we must either correct the error or explain why we believe the statement was correct.

After we receive your letter, we cannot try to collect any amount you question, or report you as delinquent. We can continue to bill you for the amount you question, including finance charges, and we can apply any unpaid amount against your credit limit. You do not have to pay any questioned amount while we are investigating, but you are still obligated to pay the parts of your bill that are not in question.

If we find that we made a mistake on your bill, you will not have to pay any finance charges related to any questioned amount. If we didn't make a mistake, you may have to pay finance charges, and you will have to make up any missed payments on the questioned amount. In either case, we will send you a statement of the amount you owe and the date that it is due.

If you fail to pay the amount that we think you owe, we may report you as delinquent. However, if our explanation does not satisfy you and you write us within 10 days telling us that you still refuse to pay, we must tell anyone we report you to that you have a question about your bill. And, we must tell you the name of anyone we reported you to. We must tell anyone we report you to that the matter has been settled between us when it finally is. If we don't follow these rules, we can't collect the first \$50 of the questioned amount, even if our bill was correct.

If you rely upon the 3-month period provided by State Law, you may lose important rights which could be preserved by acting more promptly under Federal Law. In any event, your rights under State Law become operative only upon the expiration of the time period provided by Federal Regulation for submitting a proper written notification for a billing error.

WHAT YOU SHOULD KNOW ABOUT HOME EQUITY LINES OF CREDIT

The following information is intended to help consumers understand home equity lines of credit. This information is based on a consumer brochure entitled "What You Should Know About Home Equity Lines of Credit", published by the Federal Reserve Board.

If you are in the market for credit, a home equity plan is one of several options that might be right for you. Before making a decision, however, you should weigh carefully the costs of a home equity line against the benefits. Shop for the credit terms that best meet your borrowing needs without posing undue financial risks. And remember, failure to repay the amounts you've borrowed, plus interest, could mean the loss of your home.

HOME EQUITY PLAN CHECKLIST

Ask your lender to help fill out this checklist.

Basic Features	Plan A	Plan B
Fixed annual percentage rate	%	%
Variable annual percentage rate	%	%
• Index used and current value	%	%
• Amount of margin		
• Frequency of rate adjustments		
• Amount/length of discount (if any)		
• Interest-rate cap and floor		
Length of plan		
Draw period		
Repayment period		
Initial fees		
Appraisal fee		
Application fee		
Up-front charges, including points		
Closing costs		
Repayment Terms		
During the draw period		
Interest and principal payments		
Interest-only payments		
Fully amortizing payments		
When the draw period ends		
Balloon payment?		
Renewal available?		
Refinancing of balance by lender?		

WHAT IS A HOME EQUITY LINE OF CREDIT?

A home equity line of credit is a form of revolving credit in which your home serves as collateral. Because a home often is a consumer's most valuable asset, many homeowners use home equity credit lines only for major items, such as education, home improvements, or medical bills, and choose not to use them for day-to-day expenses.

With a home equity line, you will be approved for a specific amount of credit. Many lenders set the credit limit on a home equity line by taking a percentage (say, 75%) of the home's appraised value and subtracting from that the balance owed on the existing mortgage. For example:

Appraised value of home	\$100,000
Percentage	x 75%
Percentage of appraised value =	\$ 75,000
Less balance owed on mortgage –	\$ 40,000
Potential line of credit	\$ 35,000

In determining your actual credit limit, the lender will also consider your ability to repay the loan (principal and interest) by looking at your income, debts, and other financial obligations as well as your credit history.

Many home equity plans set a fixed period during which you can borrow money, such as 10 years. At the end of this “draw period,” you may be allowed to renew the credit line. If your plan does not allow renewals, you will not be able to borrow additional money once the period has ended. Some plans may call for payment in full of any outstanding balance at the end of the period. Others may allow repayment over a fixed period (the “repayment period”), for example, 10 years.

Once approved for a home equity line of credit, you will most likely be able to borrow up to your credit limit whenever you want. Typically, you will use special checks to draw on your line. Under some plans, borrowers can use a credit card or other means to draw on the line.

There may be other limitations on how you use the line. Some plans may require you to borrow a minimum amount each time you draw on the line (for example, \$300) or keep a minimum amount outstanding. Some plans may also require that you take an initial advance when the line is set up.

WHAT SHOULD YOU LOOK FOR WHEN SHOPPING FOR A PLAN?

If you decide to apply for a home equity line of credit, look for the plan that best meets your particular needs. Read the credit agreement carefully, and examine the terms and conditions of various plans, including the annual percentage rate (APR) and the costs of establishing the plan. Remember, though, that the APR for a home equity line is based on the interest rate alone and will not reflect closing costs and other fees and charges, so you’ll need to compare these costs, as well as the APRs, among lenders.

Variable interest rates

Home equity lines of credit typically involve variable rather than fixed interest rates. The variable rate must be based on a publicly available index (such as the prime rate published in some major daily newspapers or a U.S. Treasury bill rate). In such cases, the interest rate you pay for the line of credit will change, mirroring changes in the value of the index. Most lenders cite the interest rate you will pay as the value of the index at a particular time, plus a “margin,” such as 2 percentage points. Because the cost of borrowing is tied directly to the value of the index, it is important to find out which index is used, how often the value of the index changes, and how high it has risen in the past. It is also important to note the amount of the margin.

Lenders sometimes offer a temporarily discounted interest rate for home equity lines—an “introductory” rate that is unusually low for a short period, such as 6 months.

Variable-rate plans secured by a dwelling must, by law, have a ceiling (or cap) on how much your interest rate may increase over the life of the plan. Some variable-rate plans limit how much your payment may increase and how low your interest rate may fall if the index drops.

Some lenders allow you to convert from a variable interest rate to a fixed rate during the life of the plan, or let you convert all or a portion of your line to a fixed-term installment loan.

COSTS OF ESTABLISHING AND MAINTAINING A HOME EQUITY LINE

Many of the costs of setting up a home equity line of credit are similar to those you pay when you get a mortgage. For example:

- A fee for a property appraisal to estimate the value of your home;
- An application fee, which may not be refunded if you are turned down for credit;
- Up-front charges, such as one or more “points” (one point equals 1 percent of the credit limit); and
- Closing costs, including fees for attorneys, title search, mortgage preparation and filing, property and title insurance, and taxes.

In addition, you may be subject to certain fees during the plan period, such as annual membership or maintenance fees and a transaction fee every time you draw on the credit line.

You could find yourself paying hundreds of dollars to establish the plan. And if you were to draw only a small amount against your credit line, those initial charges would substantially increase the cost of the funds borrowed. On the other hand, because the lender's risk is lower than for other forms of credit, as your home serves as collateral, annual percentage rates for home equity lines are generally lower than rates for other types of credit. The interest you save could offset the costs of establishing and maintaining the line. Moreover, some lenders waive some or all of the closing costs.

HOW WILL YOU REPAY YOUR HOME EQUITY PLAN?

Before entering into a plan, consider how you will pay back the money you borrow. Some plans set a minimum monthly payment that includes a portion of the principal (the amount you borrow) plus accrued interest. But, unlike with typical installment loan agreements, the portion of your payment that goes toward principal may not be enough to repay the principal by the end of the term. Other plans may allow payment of *interest only* during the life of the plan, which means that you pay nothing toward the principal. If you borrow \$10,000, you will owe that amount when the payment plan ends.

Regardless of the minimum required payment on your home equity line, you may choose to pay more, and many lenders offer a choice of payment options. Many consumers choose to pay down the principal regularly as they do with other loans. For example, if you use your line to buy a boat, you may want to pay it off as you would a typical boat loan.

Whatever your payment arrangements during the life of the plan—whether you pay some, a little, or none of the principal amount of the loan—when the plan ends, you may have to pay the entire balance owed, all at once. You must be prepared to make this “balloon payment” by refinancing it with the lender, by obtaining a loan from another lender, or by some other means. If you are unable to make the balloon payment, you could lose your home. If your plan has a variable interest rate, your monthly payments may change. Assume, for example, that you borrow \$10,000 under a plan that calls for interest-only payments. At a 10% interest rate, your monthly payments would be \$83. If the rate rises over time to 15%, your monthly payments will increase to \$125. Similarly, if you are making payments that cover interest plus some portion of the principal, your monthly payments may increase, unless your agreement calls for keeping payments the same throughout the plan period.

If you sell your home, you will probably be required to pay off your home equity line in full immediately. If you are likely to sell your home in the near future, consider whether it makes sense to pay the up-front costs of setting up a line of credit. Also keep in mind that renting your home may be prohibited under the terms of your agreement.

The initial annual percentage rate is “discounted”. It is not based on the index and margin used for later rate adjustments. The initial rate will be in effect for the first year your credit line is open.

LINES OF CREDIT VS. TRADITIONAL SECOND MORTGAGE LOANS

If you are thinking about a home equity line of credit, you might also want to consider a traditional second mortgage loan. This type of loan provides you with a fixed amount of money, repayable over a fixed period. In most cases, the payment schedule calls for equal payments that pay off the entire loan within the loan period. You might consider a second mortgage instead of a home equity line if, for example, you need a set amount for a specific purpose, such as an addition to your home.

In deciding which type of loan best suits your needs, consider the costs under the two alternatives. Look at both the APR and other charges. Do not, however, simply compare the APRs, because the APRs on the two types of loans are figured differently:

- The APR for a traditional second mortgage loan takes into account the interest rate charged plus points and other finance charges.
- The APR for a home equity line of credit is based on the periodic interest rate alone. It does not include points or other charges.

Disclosures from lenders

The federal Truth in Lending Act requires lenders to disclose the important terms and costs of their home equity plans, including the APR, miscellaneous charges, the payment terms, and information about any variable-rate feature. And in general, neither the lender nor anyone else may charge a fee until after you have received this information. You usually get these disclosures when you receive an application form, and you will get additional disclosures before the plan is opened. If any term (other than a variable-rate feature) changes before the plan is opened, the lender must return all fees if you decide not to enter into the plan because of the change.

When you open a home equity line, the transaction puts your home at risk. If the home involved is your principal dwelling, the Truth in Lending Act gives you 3 days from the day the account was opened to cancel the credit line. This right allows you to change your mind for any reason. You simply inform the lender in writing within the 3-day period. The lender must then cancel its security interest in your home and return all fees—including any application and appraisal fees—paid to open the account.

WHAT IF THE LENDER FREEZES OR REDUCES YOUR LINE OF CREDIT?

Plans generally permit lenders to freeze or reduce a credit line if the value of the home “declines significantly” or, when the lender “reasonably believes” that you will be unable to make your payments due to a “material change” in your financial circumstances. If this happens, you may want to:

- ***Talk with your lender.*** Find out what caused the lender to freeze or reduce your credit line and what, if anything, you can do to restore it. You may be able to provide additional information to restore your line of credit, such as documentation showing that your house has retained its value or that there has not been a “material change” in your financial circumstances. You may want to get copies of your credit reports (go to the Federal Trade Commission’s website, at www.ftc.gov/freereports, for information about free copies) to make sure all the information in them is correct. If your lender suggests getting a new appraisal, be sure you discuss appraisal firms in advance so that you know they will accept the new appraisal as valid.
- ***Shop around for another line of credit.*** If your lender does not want to restore your line of credit, shop around to see what other lenders have to offer. You may be able to pay off your original line of credit and take out another one. Keep in mind, however, that you may need to pay some of the same application fees you paid for your original line of credit.

GLOSSARY

Annual membership or maintenance fee

An annual charge for access to a financial product such as a line of credit, credit card, or account. The fee is charged regardless of whether or not the product is used.

Annual percentage rate (APR)

The cost of credit, expressed as a yearly rate. For closed-end credit, such as car loans or mortgages, the APR includes the interest rate, points, broker fees, and other credit charges that the borrower is required to pay. An APR, or an equivalent rate, is not used in leasing agreements.

Application fee

Fees charged when you apply for a loan or other credit. These fees may include charges for property appraisal and a credit report.

Balloon payment

A large extra payment that may be charged at the end of a mortgage loan or lease.

Cap (interest rate)

A limit on the amount that your interest rate can increase. Two types of interest-rate caps exist. *Periodic adjustment caps* limit the interest-rate increase from one adjustment period to the next.

Lifetime caps limit the interest-rate increase over the life of the loan. By law, all adjustable-rate mortgages have an overall cap.

Closing or settlement costs

Fees paid when you close (or settle) on a loan. These fees may include application fees; title examination, abstract of title, title insurance, and property survey fees; fees for preparing deeds, mortgages, and settlement documents; attorneys' fees; recording fees; estimated costs of taxes and insurance; and notary, appraisal, and credit report fees. Under the Real Estate Settlement

Procedures Act, the borrower receives a good faith estimate of closing costs within three days of application. The good faith estimate lists each expected cost as an amount or a range.

Credit limit

The maximum amount that may be borrowed on a credit card or under a home equity line of credit plan.

Equity

The difference between the fair market value of the home and the outstanding balance on your mortgage plus any outstanding home equity loans.

Index

The economic indicator used to calculate interest-rate adjustments for adjustable-rate mortgages or other adjustable-rate loans. The index rate can increase or decrease at any time. See *also* Selected Index Rates for ARMs over an 11-year Period (www.federalreserve.gov/pubs/arms/arms_english.htm) for examples of common indexes that have changed in the past.

Interest rate

The percentage rate used to determine the cost of borrowing money, stated usually as a percentage of the principal loan amount and as an annual rate.

Margin

The number of percentage points the lender adds to the index rate to calculate the ARM interest rate at each adjustment.

Minimum payment

The lowest amount that you must pay (usually monthly) to keep your account in good standing. Under some plans, the minimum payment may cover interest only; under others, it may include both principal and interest.

Points (also called discount points)

One point is equal to 1 percent of the principal amount of a mortgage loan. For example, if a mortgage is \$200,000, one point equals \$2,000. Lenders frequently charge points in both fixed-rate and adjustable-rate mortgages to cover loan origination costs or to provide additional compensation to the lender or broker. These points usually are paid at closing and may be paid by the borrower or the home seller, or may be split between them. In some cases, the money needed to pay points can be borrowed (incorporated in the loan amount), but doing so will increase the loan amount and the total costs. Discount points (also called discount fees) are points that you voluntarily choose to pay in return for a lower interest rate.

Security interest

If stated in your credit agreement, a creditor's, lessor's, or assignee's legal right to your property (such as your home, stocks, or bonds) that secures payment of your obligation under the credit agreement.

Transaction fee

Fee charged each time a withdrawal or other specified transaction is made on a line of credit, such as a balance transfer fee or a cash advance fee.

Variable rate

An interest rate that changes periodically in relation to an index, such as the prime rate. Payments may increase or decrease accordingly.

WHERE TO GO FOR HELP

For additional information or to file a complaint about a bank, savings and loan, credit union, or other financial institution, contact one of the following federal agencies, depending on the type of institution.

Federally insured state-chartered banks that are not members of the Federal Reserve System

Federal Deposit Insurance Corporation (FDIC)

Consumer Response Center

1100 Walnut Street

Box #11

Kansas City, MO 64106

877-ASK-FDIC (877-275-3342) (toll free)

e-mail: consumeralerts@fdic.gov

www.fdic.gov/consumers/consumer/ccc/index.html



Key Facts About Interest-Only Home Equity Lines Of Credit (HELOC)

A home equity line is a form of revolving credit in which your home serves as collateral. Many home owners use their credit lines for items such as education, home improvements, or medical bill expenses. An “Interest-Only” home equity line of credit allows you to pay only the interest on the money you borrowed for some period of time after the line is established. On Lakeland Bank’s Home Equity Line of Credit (HELOC) the “Interest-Only” period is for ten years and coincides with our “Draw Period”, as defined in our HELOC agreement. If you only pay the amount of the interest that’s due, once the interest-only period ends:

- You will still owe the original amount you borrowed.
- Your monthly payment will increase – even if interest rates stay the same – because you must pay back the principal as well as interest.
- **Ask what the payments on your loan will be after the end of the interest-only period. If you are considering a Home Equity Line of Credit, ask what your payments can be if interest rates increase.**

Additional Information

- **Prepayment Penalties** – Some Home Equity Lines of Credit have prepayment penalties. If you pay-off your loan during the prepayment penalty period, you could owe additional fees or a penalty. **Lakeland Bank’s HELOC has no prepayment penalties.** Most home equity line loans let you make extra, additional principal payments with your monthly payment – this is not “prepayment” of the entire loan, and there usually is no penalty for these extra amounts.

COMPARISON OF SAMPLE HOME EQUITY LINE OF CREDIT FEATURES

(For illustrative and educational purposes only – may not represent actual terms of loans available)

	Annual Percentage Rate (APR)	Principal & Interest Monthly Payment based on 20 year term	Interest Only Monthly Payment based on 15 Year Term
Initial rate period is <u>fixed</u> for the first 12 months and the rate is <u>discounted</u> by .76%.	2.99%	\$166.46	\$62.29
Remainder of Draw Period Years 2 to 10 (<u>Variable Rate</u>)	3.75% *	\$182.29	\$78.13
After Draw Period Year 11 until paid in full (<u>Variable Rate</u>)	3.75% * (If Rate is 18% then ----->)	\$182.29 (Payment is \$479.17) **	\$217.01 (Payment is \$513.89) ***

* Assumption that the Loan Amount \$25,000 and the Annual Percentage Rate (APR) of 3.75% did not increase or decrease from loan inception. Please note that the APR on the HELOC is equal to the Prime Rate as published in the Wall Street Journal with a minimum APR of 3.75% and a maximum APR of 18%.

** At the maximum rate of 18% the first payment after the draw period would be \$479.17.

*** At the maximum rate of 18% the first principal and interest payment for the interest only HELOC, after the draw period, would be \$513.89.

Important Note: Please use this chart to discuss possible loans with us.

