



Union Center

UNION CENTER NATIONAL BANK

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2455 Morris Avenue Union, NJ 07083 908.688.9500 FAX 908.810.0554

IMPORTANT TERMS OF OUR HOME EQUITY LINE OF CREDIT

This disclosure contains important information about our HOME EQUITY LINE OF CREDIT secured by your home. You should read it carefully and keep a copy for your records. You should also read and retain the HOME LINE OF CREDIT AGREEMENT AND DISCLOSURE STATEMENT 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 have paid to us or anyone else in connection with your application.

SECURITY INTEREST: We will take a security interest (mortgage) in your home. You could lose your home if you do not meet the obligations in your agreement with us.

POSSIBLE ACTIONS: Under this agreement, we have the following rights:

TERMINATION AND ACCELERATION: We can terminate your credit line, require you to pay us the entire outstanding balance in one payment, and charge you certain fees if:

- (a) You engage or commit fraud or make a material misrepresentation at any time in connection with the line. This can include, for example, a false statement about your income, assets, liabilities, or any other aspect of your financial condition.
- (b) You do not meet the repayment terms.
- (c) Your action or inaction adversely affects the collateral or our rights in the collateral. This can include, for example, failure to maintain required insurance, waste or destructive use of the dwelling, failure to pay taxes, death of all persons liable on the account, transfer of title or sale of the dwelling, creation of a senior lien on the dwelling without our permission, foreclosure by the holder of another lien or the use or funds of the dwelling for prohibited purposes.

SUSPENSION OR REDUCTION: In addition to any other rights we may have, we can suspend additional extensions of credit or reduce your credit limit during any period in which any of the following are in effect:

- (a) The value of the dwelling securing the line declines significantly below the dwelling's appraised value for the purpose 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. We consider all of your obligations to be material. Categories of material obligations include, but are not limited to, the events described above under Termination and Acceleration, obligations to pay fees and charges, obligations and limitations on the receipt of credit advances, obligations concerning maintenance or use of the dwelling or proceeds, obligations to pay and perform the terms of any deed of trust, mortgage or lease of the dwelling, obligations to notify us and to provide documents or information to us (such as updated financial information), obligations to comply with applicable laws (such as zoning restrictions).
- (d) We are precluded by government action from imposing the **ANNUAL PERCENTAGE RATE** provided for under this agreement.
- (e) The priority of our security interest is adversely affected by government action to the extent that the value of the security interest is less than 120 percent of the credit limit.
- (f) We have been notified by government authority that continued advances may constitute an unsafe and unsound business practice.
- (g) The maximum **ANNUAL PERCENTAGE RATE** is reached.

CHANGE IN TERMS: We may make changes to the term of this agreement if you agree to the change in writing at that time, if the change will unequivocally benefit you throughout the remainder of the term, or if the change is insignificant (such as changes relating to our data processing systems).

MINIMUM PAYMENT REQUIREMENTS: – (Draw Period) You can obtain advances of credit for ten (10) years (the "Draw Period") unless your rights to obtain advances of credit are otherwise suspended or canceled. During the Draw Period, payments will be due monthly. Your minimum monthly payment due will be equal to the greater of the following: (1) The amount of accrued finance charges on the last day of the billing cycle plus \$200; or (2) the amount of accrued finance charges plus 0.417% of the principal balance outstanding on the last day of the billing cycle. You will make 120 of these payments.

MINIMUM PAYMENT REQUIREMENTS: – (Repayment Period) After the Draw Period ends, you will no longer be able to obtain credit advances and you will be required to repay the outstanding balance ("Repayment Period"). During the Repayment Period,



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payments will be due monthly. The length of the Repayment Period may vary depending on the outstanding balance at the beginning of the Repayment Period, but the period will not exceed 20 years.

Your minimum monthly payment due will be equal to the greater of the following; (1) the amount of accrued finance charges plus 0.417% of the principal balance outstanding on the last day of the billing cycle; or (2) the amount of accrued finance charges on the last day of the billing cycle plus \$200. During the Repayment Period, the minimum payment may not fully repay the principal balance outstanding on your loan. At maturity, you may have to repay the entire outstanding loan balance in a single payment.

MINIMUM PAYMENT EXAMPLES: If you took a single advance of \$10,000 and the **ANNUAL PERCENTAGE RATE** was 5.25% and if you made only the minimum payments and took no other credit advance it would take 4 years and 2 months to pay off your account. You would make 50 monthly payments ranging from \$200.86 to \$243.15.

HISTORICAL EXAMPLE: The example below 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 are from the following reference period: The last business day of the year. 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 were 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

	Year	Index	Margin (%) (1)	Annual Percentage Rate (%)	Minimum Monthly Payments (\$)
DRAW PERIOD	1998	7.75%	0.50%	8.25%	\$273.97 (3)
	1999	8.25%	0.50%	8.75%	\$254.66 (3)
	2000	9.50%	0.50%	10.00%	\$235.26 (3)
	2001	5.00%	0.50%	5.50%	\$220.14 (3)
	2002	4.25%	0.50%	4.75%	\$203.29 (3)
	2003	4.00%	0.50%	4.50%	-
	2004	5.00%	0.50%	5.50%	-
	2005	7.00%	0.50%	7.50%	-
	2006	8.25%	0.50%	8.75%	-
	2007	7.50%	0.50%	8.00%	-
REPAYMENT PERIOD	2008	3.25%	0.50%	4.00% (2)	-
	2009	3.25%	0.50%	4.00% (2)	-
	2010	3.25%	0.50%	4.00% (2)	-
	2011	3.25%	0.50%	4.00% (2)	-
	2012	3.25%	0.50%	4.00% (2)	-

(1) This is a margin we have used recently; your margin may be different.

(2) This APR reflects a 4.00% floor.

(3) This minimum payment reflects a \$200 minimum principal payment requirement.

VARIABLE RATE FEATURE: This account has a variable rate feature. The **ANNUAL PERCENTAGE RATE** (corresponding to the periodic rate), and the amount and or number of Minimum Payment may change as a result. The **ANNUAL PERCENTAGE RATE** includes only interest and no other costs. The **ANNUAL PERCENTAGE RATE** may be "discounted." Any discounted rate is not based on the index and margin used for later rate adjustments. A discounted initial rate may be in effect for a predetermined amount of months generally when your credit line is opened.

THE INDEX: The **ANNUAL PERCENTAGE RATE** is based on the value of an index (referred to in this disclosure as the "index"), and we may add a margin to the value of 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 may 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 in **FREQUENCY OF ANNUAL PERCENTAGE RATE ADJUSTMENTS**.



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Please ask us for the current Index value, margin and **ANNUAL PERCENTAGE RATE**. After you open a credit line, rate information will be provided on periodic statements that we send you.

FREQUENCY OF ANNUAL PERCENTAGE RATE ADJUSTMENTS: The **ANNUAL PERCENTAGE RATE** can change daily, although under this agreement the **ANNUAL PERCENTAGE RATE** will only be adjusted on the first day of each billing cycle; generally the 26th day of each month, subject to applicable law. However, under no circumstances will your **ANNUAL PERCENTAGE RATE** exceed 16.00% (rate cap) per annum or, go below 4.00% (rate floor) per annum at any time during the term. Apart from this rate "cap", there is no limit on the amount by which the rate can change during any billing cycle.

MAXIMUM RATE AND REPAYMENT EXAMPLES:

Draw Period: If you had an outstanding balance of \$10,000 during the draw period, the minimum monthly payment at the maximum **ANNUAL PERCENTAGE RATE** of 16.00% would be **\$331.51**. This **ANNUAL PERCENTAGE RATE** could be reached during the first month of the draw period.

Repayment 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 16% would be **\$331.51**. This **ANNUAL PERCENTAGE RATE** could be reached during the first month of the repayment period.

PROPERTY INSURANCE: You must carry sufficient insurance on the property that secures the line. If the property is located in a Special Flood Hazard Area we will require you to obtain flood insurance if it is available. You may select the insurance company of your choice, provided the company and coverage meet our requirements.

NEGATIVE AMORTIZATION: Not applicable to Union Center National Bank.

TITLE INSURANCE: You may be required to obtain title insurance in certain instances.

TRANSACTION REQUIREMENTS: The following limitations will apply to your Credit line and writing of Equity Checks.

Minimum Advance Amount: The minimum amount of any credit advance that can be made on your Credit Line is \$500.00. 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.

FEES AND CHARGES: In order to open and maintain an account, you may have to pay certain fees and charges.

APPLICATION FEE: You may be charged an application fee of \$50.00 (due at application).

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 \$400.00 and \$2,500.00. Upon request, we will provide you with an itemization of the fees you will have to pay to third parties.

REFUNDABILITY OF FEES: If you decide not to enter into this agreement within three days of receiving this disclosure, you are entitled to a refund of any fee you may have already paid with the exception of the Application Fee.

OTHER LENDING FEES: If certain activities occur on your account, 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.

OTHER FINANCE CHARGE: NONE

ANNUAL MAINTENANCE FEE: NONE.

RETURN CHECK FEE: NONE.

STOP PAYMENT FEE: NONE.

LATE CHARGE: 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 up to 5.00% of the payment.

PREPAYMENT: You may prepay all of any amount owing under the agreement at any time without a penalty.

EARLY CANCELLATION FEE: You may be charged an Early Cancellation Fee of \$250.00 if you ask us to close your Account within 24 months after it is opened.

MINIMUM LOAN REQUEST FEE: The minimum loan amount is \$10,000; otherwise the loan requests may be subject to an additional \$100 processing fee. (Due at application)



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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.

You Should 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 a letter on a separate sheet of paper, as soon as possible, at the address listed on your bill. 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, you must provide the following information:

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

If you have authorized the Bank to pay your Home Equity Line of Credit bill automatically from your checking account, you can stop the payment on any amount you think is wrong. To stop the payment your letter must reach the Bank three business days before the automatic payment is scheduled to occur.

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 make payments on the parts of your statement that are not in question.

If we find that we made a mistake on your statement, 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 payment on the questioned amount. In either case, we will send you a statement of the amount you owe and the date that the amount 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 statement was correct.



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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.

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 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.



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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.

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.



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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.



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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

Federal agencies are responsible for enforcing the Federal Truth in Lending Act, the law that governs credit term disclosure for home equity lines. Any questions concerning compliance with the act by Union Center National Bank should be directed to our enforcement agency:

National Bank: Office of the Comptroller of the Currency (OCC)
Customer Assistance Group
1301 McKinney Street, Suite 3450
Houston, TX 77010
(800) 613-6743 (toll free)
(713) 336-4301 (fax)
e-mail: customer.assistance@occ.treas.gov
www.occ.treas.gov
www.helpwithmybank.gov



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HOME EQUITY PLAN CHECKLIST

Ask your lender for help to 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?	_____	_____