

# MainStreet Bank Home Equity Line of Credit Application



727 Elden Street \* Herndon, VA 20170 \* Ph: (703) 481-4567 \* Fax: (703) 481-4568 \* [www.mstreetbank.com](http://www.mstreetbank.com)



## Type of Credit Requested

- Individual Credit – relying solely on my income or assets  
 Individual Credit – relying on my income or assets as well as income or assets from other sources  
 Joint Credit – We intend to apply for joint credit (initials) \_\_\_\_\_

## Loan Information

Desired Loan Amount:	Desired Payment Date:	Proceeds of the credit to be used for:
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## Collateral Information

What will be used to secure this Loan?

Description of Asset	Value
	\$
	\$
	\$

*\*Additional financial information may be required.*

## Applicant Information

First	Middle	Last
SSN	Birth Date	Driver's License Number
Home Phone	Work Phone	Email Address
Present Address		<input type="checkbox"/> Own <input type="checkbox"/> Rent   Monthly Payment
City	State	Zip Code
Previous Address (if less than two years at current address)		
City	State	Zip Code
Number of Dependents	Age of Dependents	Marital Status <input type="checkbox"/> Married <input type="checkbox"/> Separated <input type="checkbox"/> Unmarried (single, divorced, widowed)
Employer Name		
Employer Address	City	State   Zip
Self Employed? <input type="checkbox"/> Yes <input type="checkbox"/> No	Time at Job?	Job Title/Position   *Income

*\* Alimony, child support, or separate maintenance income need not be revealed if you do not wish to have it considered as a basis for repaying this obligation.*

Alimony, Child support, separate maintenance received under:	<input type="checkbox"/> Court Order	<input type="checkbox"/> Written Agreement	<input type="checkbox"/> Oral Understanding
Is any income listed in this Section likely to reduce before the credit requested is paid off?	<input type="checkbox"/> Yes (please explain on separate sheet) <input type="checkbox"/> No		
Name of nearest relative not living with applicant or Other Party			
Address of nearest relative	City	State	Zip
Relationship to Applicant/Co-Applicant	Nearest Relative Contact number		

Co-Applicant Information			
First	Middle	Last	
SSN	Birth Date	Driver's License Number	
Home Phone	Work Phone	Email Address	
Present Address		<input type="checkbox"/> Own <input type="checkbox"/> Rent	Monthly Payment
City	State	Zip Code	
Previous Address (if less than two years at current address)			
City	State	Zip Code	
Number of Dependents	Age of Dependents	Marital Status <input type="checkbox"/> Married <input type="checkbox"/> Separated <input type="checkbox"/> Unmarried (single, divorced, widowed)	
Employer Name			
Employer Address		City	State Zip
Self Employed? <input type="checkbox"/> Yes <input type="checkbox"/> No	Time at Job?	Job Title/Position	*Income
* Alimony, child support, or separate maintenance income need not be revealed if you do not wish to have it considered as a basis for repaying this obligation.			
Alimony, Child support, separate maintenance received under: <input type="checkbox"/> Court Order <input type="checkbox"/> Written Agreement <input type="checkbox"/> Oral Understanding			
Is any income listed in this Section likely to reduce before the credit requested is paid off? <input type="checkbox"/> Yes (please explain on separate sheet) <input type="checkbox"/> No			
Name of nearest relative not living with applicant or Other Party			
Address of nearest relative		City	State Zip
Relationship to Applicant/Co-Applicant		Nearest Relative Contact number	

### 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 a new 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.

Are you a co-maker, endorser, or guarantor on any loan or contract?	<input type="checkbox"/> Yes (please explain on separate sheet)	<input type="checkbox"/> No
Are there are unsatisfied judgments against you?	<input type="checkbox"/> Yes (please explain on separate sheet)	<input type="checkbox"/> No
Have you declared bankruptcy in the last 14 years?	<input type="checkbox"/> Yes (please explain on separate sheet)	<input type="checkbox"/> No

### CERTIFICATION

I certify that everything I have stated in this application and on any attachments is correct. You may keep this application whether or not it is approved. By signing below, I authorize you to check my employment history, to have a consumer credit report prepared on me for the purpose of evaluating this application for credit, and to answer questions others may ask you about my credit record with you. I understand that I must update this credit information at your request and if my financial condition changes.

I (meaning applicant that signs below) authorize MainStreet Bank to make credit inquiries about me and authorize anyone to furnish requested information to you. All information and this application is your property, whether or not credit is extended. You may disclose any information relating to this application or loan account to any applicant for or proposed guarantor of this loan. Everything I have told you in this application is true, complete, and correct. I will use my loan only for lawful purposes. The application, and any additional sheets attached, lists all debts and obligations I have, including those which I am jointly obligated.

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Applicant's Signature

-----  
Date

-----  
Co-Applicant's Signature

-----  
Date

## **Important Terms of our Home Equity Line of Credit**

### **No Closing Cost Program**

*Please sign and return one copy with your application*

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

**Availability of Terms:** All of the terms 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 us, you are entitled to a refund of any fees you paid to us or anyone else in connection with your application.

**Security Interest:** We will take a security interest 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 line, require you to pay us the entire outstanding balance in one payment, and charge you certain fees if:

- You engage in fraud or material misrepresentation in connection with the line,
- You do not meet the repayment terms, or
- Your action or inaction adversely affects the collateral or our rights to the collateral.

We can refuse to make additional extensions of credit or reduce your credit limit if:

- The value of the dwelling securing the line declines significantly below its appraised value for purposes of the line.
- We reasonably believe you will not be able to meet the repayment requirements due to a material change in your financial circumstances.
- You are in default of a material obligation in the agreement.
- 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.
- A regulatory agency has notified us that continued advances would constitute an unsafe and unsound practice.
- 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. During this term, a minimum payment will be due by the payment date for any billing cycle in which there is an outstanding balance on the account. The minimum payment will be due monthly. The minimum payment will equal the amount of any credit insurance premiums that are due, earned fees and charges, and the amount of accrued interest on the last day of the billing cycle.

The minimum payment will not reduce the principal that is outstanding on your line. You will then be required to pay the entire balance in a single "balloon" payment. MainStreet Bank may, but is not obligated to, refinance this line of credit. If you do refinance this line of credit at maturity, you may have to pay some or all of the closing costs normally associated with a new loan.

**Minimum Payment Example:** If you took a single \$10,000 advance and the **ANNUAL PERCENTAGE RATE** was **4.50%**:

- Under the monthly interest-only payment option, you would make 120 payments of between \$37.50, with a final payment of \$10,037.50 due at maturity.

**Fees and Charges:** You may have to pay certain fees to third parties such as appraisers, credit reporting firms, and government agencies. These fees generally total between \$550 and \$1,120. If you ask, we will provide you with an itemization of these fees. You must carry insurance on the property that secures this plan.

**No Closing Costs Conditions:** The bank has agreed to pay up to \$750.00 of fees, based on the following three conditions:

1. You have an initial advance of at least \$10,000.
2. You maintain the line open for a minimum of 24 months from the date of the initial advance.
3. You agree to have the monthly payment debited from a MainStreet Bank account.

You agree to reimburse the bank if you do not meet both these requirements.

**Refund ability of Fees:** If you decide not to enter into this plan within three days of receiving this disclosure and the Home Equity booklet, you are entitled to a refund of any fee you may have already paid.

**Minimum Draw and Balance Requirements:** The minimum credit advance that you can receive is \$100.00.

**Negative Amortization:** Under some circumstances, your payment will not cover the finance charges that accrue and "negative amortization" will occur. Negative amortization will increase the amount that you owe us and reduce your equity in your home.

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

**Important Information about your Introductory Interest Rate:** The initial APR is not based on the index and margin used to make later rate adjustments. The initial APR will be in effect for six months.

**Variable Rate Feature:** The 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 annual percentage rate includes only interest and not other costs.

The annual percentage rate is based on the value of an index. The index is the highest rate on corporate loans posted by at least 75% of the USA's thirty largest banks known as "The Wall Street Journal Prime Rate" and is published in The Wall Street Journal. To determine the annual percentage rate that will apply to your account, we add (or subtract) a margin to the value of the index.

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.

**Rate Changes:** The annual percentage rate can change daily. The maximum ANNUAL PERCENTAGE RATE that can apply is 24%. The minimum APR that can apply is the initial rate. Apart from the rate floor and ceiling, 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 equaled the 24% maximum and you had an outstanding balance of \$10,000.00, the minimum monthly payment would be \$200.00. This annual percentage rate could be reached during the first month.

**Historical Example:** The following table shows how the annual percentage rate and the minimum payments for a single \$10,000 credit advance would have changed based on changes in the index over the last 15 years. The index values are from the first business day of March. Only one payment amount per year is shown. However, the monthly payment amount will only vary if negative amortization occurs.

The table assumes that no additional credit advances were taken, that only the minimum payments were made, and that the rate remained constant during each year. It does not necessarily indicate how the indices or your payments will change in the future.

Year	Index (%)	Margin* (%)	ANNUAL PERCENTAGE RATE (%)	Minimum Monthly Payment (\$)
1993	6.00	0.50	6.50	54.17
1994	6.00	0.50	6.50	54.17
1995	9.00	0.50	9.50	79.16
1996	8.25	0.50	8.75	72.92
1997	8.25	0.50	8.75	72.92
1998	8.50	0.50	9.00	75.00
1999	7.75	0.50	8.25	68.75
2000	8.75	0.50	9.25	77.08
2001	8.50	0.50	9.00	75.00
2002	4.75	0.50	5.25	43.75
2003	4.00	0.50	4.50	37.50
2004	4.00	0.50	4.50	37.50
2005	5.00	0.50	5.50	45.83
2006	8.25	0.50	8.75	72.92
2007	8.25	0.50	8.75	72.92

\* This is a margin we have used recently

This is not a commitment to make a loan. You hereby acknowledge receipt of this Home Equity Program Disclosure and a copy of the Home Equity Brochure on today's date.

\_\_\_\_\_ Date: \_\_\_\_\_

\_\_\_\_\_ Date: \_\_\_\_\_



## When Your Home Is On the Line: What You Should Know About Home Equity Lines of Credit

More and more lenders are offering home equity lines of credit. By using the equity in your home, you may qualify for a sizable amount of credit, available for use when and how you please, at an interest rate that is relatively low. Furthermore, under the tax law--depending on your specific situation--you may be allowed to deduct the interest because the debt is secured by your home.

If you are in the market for credit, a home equity plan may be right for you or perhaps another form of credit would be better. Before making this decision, 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 risk. And, remember, failure to repay the line could mean the loss of your home.

### What is a home equity line of credit?

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

With a home equity line, you will be approved for a specific amount of credit--your credit limit--meaning the maximum amount you can borrow at any one time while you have the plan.

Many lenders set the credit limit on a home equity line by taking a percentage (say, 75 percent) of the appraised value of the home and subtracting the balance owed on the existing mortgage. For example:

Appraisal of home	\$100,000
Percentage	x 75%
Percentage at appraised value	<hr/> \$75,000
Less mortgage debt	- \$40,000
Potential credit line	<hr/> \$35,000

In determining your actual credit line, the lender also will consider your ability to repay, by looking at your income, debts, and other financial obligations, as well as your credit history.

Home equity plans often set a fixed time during which you can borrow money, such as 10 years. When this period is up, the plan may allow you to renew the credit line. But in a plan that does not allow renewals, you will not be able to borrow additional money once the time has expired. Some plans may call for payment in full of any outstanding balance. Others may permit you to repay over a fixed time, for example 10 years.

Once approved for the home equity plan, usually you will be able to borrow up to your credit limit whenever you want. Typically, you will be able to draw on your line by using special checks. Under some plans, borrowers can use a credit card or other means to borrow money and make purchases using the line. However, there may be 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) and to keep a minimum amount outstanding. Some lenders also may require that you take an initial advance when you first set up the line.

### What should you look for when shopping for a plan?

If you decide to apply for a home equity line, look for the plan that best meets your particular needs. Look carefully at the credit agreement and examine the terms and conditions of various plans, including the annual percentage rate (APR) and the costs you'll pay to establish the plan. The disclosed APR will **not** reflect the closing costs and other fees and charges, so you'll need to compare these costs, as well as the APRs, among lenders.

**Interest Rate Charges and Plan Features.** Home equity plans typically involve variable interest rates rather than fixed rates. A 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); the interest rate will change, mirroring fluctuations in the index. To figure the interest rate that you will pay, most lenders add a margin, such as 2 percentage points, to the index value. Because the cost of borrowing is tied directly to the index rate, it is important to find out what index and margin each lender uses, how often the index changes, and how high it has risen in the past.

Sometimes lenders advertise a temporarily discounted rate for home equity lines--a rate that is unusually low and often lasts only for an introductory period, such as six months.

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

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

Agreements generally will permit the lender to freeze or reduce your credit line under certain circumstances. For example, some variable-rate plans may not allow you to get additional funds during any period the interest rate reaches the cap.

### **Costs to Obtain a Home Equity Line.**

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

- A fee for a property appraisal, which estimates the value of your home.
- An application fee, which may not be refundable if you are turned down for credit.
- Up-front charges, such as one or more points (one point equals one percent of the credit limit).
- Other closing costs, which include fees for attorneys, title search, mortgage preparation and filing, property and title insurance, as well as taxes.
- Certain fees during the plan. For example, some plans impose yearly membership or maintenance fees.
- You also may be charged a transaction fee every time you draw on the credit line.

You could find yourself paying hundreds of dollars to establish the plan. If you were to draw only a small amount against your credit line, those charges and closing costs would substantially increase the cost of the funds borrowed. On the other hand, the lender's risk is lower than for other forms of credit because your home serves as collateral. Thus, annual percentage rates for home equity lines are generally lower than rates for other types of credit. The interest you save could offset the initial costs of obtaining the line. In addition, some lenders may waive a portion 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 any money you might borrow. Some plans set minimum payments that cover a portion of the principal (the amount you borrow) plus accrued interest. But, unlike the typical installment loan, the portion that goes toward principal may not be enough to repay the debt by the end of the term. Other plans may allow payments of interest alone during the life of the plan, which means that you pay nothing toward the principal. If you borrow \$10,000, you will owe that entire sum when the plan ends.

Regardless of the minimum payment required, you can pay more than the minimum and many lenders may give you a choice of payment options. Consumers often will 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.

With a variable 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 percent interest rate, your initial payments would be \$83 monthly. If the rate should rise over time to 15 percent, your payments will increase to \$125 per month.

Even with payments that cover interest plus some portion of the principal, there could be a similar increase in your monthly payment, unless the agreement calls for keeping payments level throughout the plan.

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

## Comparing a line of credit and a traditional second mortgage loan.

If you are thinking about a home equity line of credit you also might want to consider a more traditional second mortgage loan. This type of loan provides you with a fixed amount of money repayable over a fixed period. Usually the payment schedule calls for equal payments that will pay off the entire loan within that time. You might consider a traditional second mortgage loan 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 the APR and other charges. You cannot, however, simply compare the APR for a traditional mortgage loan with the APR for a home equity line because the APRs are figured differently.

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

**Disclosures from Lenders.** The 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 has changed before the plan is opened (other than a variable-rate feature), the lender must return all fees if you decide not to enter into the plan because of the changed term.

When you open a home equity line the transaction puts your home at risk. For your principal dwelling the Truth in Lending Act gives you three 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 creditor in writing within the three-day period. The creditor must then cancel the security interest in your home and return all fees--including any application and appraisal fees--paid in opening the account.

## Glossary

### **Annual membership or participation fee.**

An amount that is charged annually for having the line of credit available. It is charged regardless of whether or not you use the line.

**Annual percentage rate (APR).** The cost of credit on a yearly basis expressed as a percentage.

**Application fee.** Fees that are paid upon application. An application fee may include charges for property appraisal and a credit report.

**Balloon payment.** A lump-sum payment \*that you may be required to make under a plan when the plan ends.

**Cap.** A limit on how much the variable-interest rate can increase during the life of the plan.

**Closing costs.** Fees paid at closing, including attorneys' fees, fees for preparing and filing a mortgage, for taxes, title search, and insurance.

**Credit limit.** The maximum amount that you can borrow under the home equity plan.

**Equity.** The difference between the fair market value (appraised value) of your home and your outstanding mortgage balance.

**Index.** The base for rate changes that the lender uses to decide how much the annual percentage rate will change over time.

**Interest rate.** The periodic charge, expressed as a percentage, for use of credit.

**Margin.** The number of percentage points the lender adds to the index rate to determine the annual percentage rate to be charged.

**Minimum payment.** The minimum amount that you must pay (usually monthly) on your account. In some plans, the minimum payment may be "interest only." In other plans, the minimum payment may include principal and interest.

**Points.** A point is equal to one percent of the amount of your credit line. Points usually are collected at closing, and are in addition to monthly interest.

**Security interest.** An interest that a lender takes in the borrower's property to assure repayment of a debt.

**Transaction fee.** A fee charged each time you draw on your credit line.

**Variable rate.** An interest rate that changes periodically in relation to an index. Payments may increase or decrease accordingly.

## Where to Go for Help.

The following 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 a particular financial institution should be directed to its enforcement agency.

### **State Member Banks of the Federal Reserve System**

Division of Consumer and Community Affairs  
Board of Governors of the Federal Reserve System  
20th Street and Constitution Avenue, N.W.  
Washington, D.C. 20551  
(202) 452-3946

### **National Banks**

Compliance Management  
Office of the Comptroller of the Currency  
250 E Street, S.W.  
Washington, D.C. 20219  
(202) 874-4428

### **Federal Credit Unions**

National Credit Union Administration  
1775 Duke Street  
Alexandria, VA 22314  
(703) 518-6360

### **Federally Insured Non-Member State-Chartered Banks and Savings Banks**

Office of Consumer Affairs  
Federal Deposit Insurance Corporation  
550 Seventeenth Street, N.W.  
Washington, D.C. 20429  
(800) 934-3342; (202) 942-3100  
TDD (800) 925-4618; (202) 942-3147

### **Federally Insured Savings and Loan Institutions and Federally Chartered Savings Banks**

Consumer Programs  
Office of Thrift Supervision  
1700 G Street, N.W., Fifth Floor  
Washington, D.C. 20552  
(202) 906-6237

### **Mortgage Companies**

Division of Credit Practices  
Bureau of Consumer Protection  
Federal Trade Commission  
601 Pennsylvania Avenue, N.W.  
Washington, D.C. 20580  
(202) 382-4357

## Check List

<i>Ask your lender to help fill out this check list.</i>	<u>Plan A</u>	<u>Plan B</u>
<b>Basic Features</b>		
Fixed annual percentage rate		
Variable annual percentage rate		
Index used and current value		
Amount of margin		
Current rate		
Frequency of rate adjustments		
Amount/length of discount (if any)		
Interest rate caps		
<b>Length of plan</b>		
Draw period		
Repayment period		
<b>Initial fees</b>		
Appraisal fee		
Closing costs		
Application fee		
<b>Repayment Terms</b>		
<b>During the draw period</b>		
Interest and principal payments		
Interest only payments		
Fully amortizing payments		
<b>When the draw period ends</b>		
Balloon payment		
Renewal available		
Refinancing of balance by lender		