

Please sign and return this portion to Franklin Bank.

BY SIGNING BELOW I/WE ATTEST TO RECEIVING A COPY OF IMPORTANT TERMS OF FRANKLIN BANK'S HOME EQUITY LINE OF CREDIT DISCLOSURE AND BOOKLET "WHEN YOUR HOME IS ON THE LINE".

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

\_\_\_\_\_  
APPLICANT'S SIGNATURE

\_\_\_\_\_  
DATE

\_\_\_\_\_  
APPLICANT'S SIGNATURE

\_\_\_\_\_  
DATE

Revised 01/11

## **Franklin Bank**

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

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:** To obtain the terms described below, you must submit your application before January 31, 2012.

If any of these terms change (other than the annual percentage rate) and you therefore decide not to enter into an agreement with us, you are not obligated to do so. You will then be entitled to a refund of any fees that you paid to us or anyone else in connection with your application. If within three days of receiving this disclosure you elect to withdraw your application, you will be entitled to a refund of the application fee. After three days the fee is non-refundable.

**SECURITY INTEREST:** We will take a mortgage on your home. You could lose your home if you do not meet the obligation 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:

1. You engage in fraud or material misrepresentation in connection with the line of credit.
2. You do not meet the repayment terms.
3. Your action or inaction adversely affects the security or our rights in the security.

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

1. The value of the dwelling securing the line declines significantly below its appraised value for purposes of this line.
2. We reasonably believe you will not be able to meet the repayment requirements due to a material change in your financial circumstances.
3. You are in default of a material obligation in the mortgage or agreement.
4. Government action prevents us from imposing the annual percentage rate provided for in the agreement.
5. The priority of the creditor's 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 line.
6. A regulatory agency has notified us that continued advances would constitute an unsafe and unsound practice.
7. The maximum annual percentage rate is reached.

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

**MINIMUM PAYMENT REQUIREMENTS:** The length of the draw period/repayment period is 15 years. Payments will be due monthly. Your minimum payment will equal the amount of the outstanding loan balance existing on the billing date, divided by 180, or \$25.00 whichever is greater, plus finance charges, late charges and any applicable life insurance premium charges, computed accordingly. The minimum payment may not repay the balance that is outstanding on your account within 15 years from the current date. You will

then be required to pay the entire balance in a single payment. You may prepay your credit line at any time without incurring penalty.

**MINIMUM PAYMENT EXAMPLE:** If you made only the minimum monthly payment and took no other credit advances, it would take 15 years to pay off a credit advance of \$10,000.00 at an ANNUAL PERCENTAGE RATE OF 4.00%. During that period, you would make 179 monthly payments varying between \$88.89 and \$37.11 Your 180th payment would be a final balloon payment of \$3,620.31, consisting of \$3,608.28 remaining principal balance plus accrued interest.

**FEES AND CHARGES:** To open and maintain a line of credit, you may have to pay us the following fees:

FEE/CHARGE	AMOUNT	WHEN PAYABLE
Closing	\$ 80.00	Collected at closing
Application Fee	\$ 0.00	At Application
Title Insurance	\$200-\$600	Third Party Fee (Prior to closing)

You may have to pay certain fees to third parties. Generally, the only fee payable to third parties is for Title Insurance. This could be required on lines secured by property on which there is not an existing Title Insurance Policy and that exceed \$100,000.00.

Flood insurance coverage (if applicable) and homeowner's insurance coverage is required in an amount equal to or greater than this line of credit plus any existing first mortgage on the property. There may be additional expense for the applicant in obtaining the proper insurance coverage.

**MINIMUM DRAW AND BALANCE REQUIREMENTS:** There is no minimum draw or minimum balance requirements.

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

**CANCELLATION:** If your credit line is granted, under federal regulations you have a right to cancel it within three business days after its consummation (signing of Agreement and Mortgage). Therefore, disbursements of any funds from your line will not be made until the expiration of this period.

**VARIABLE-RATE FEATURE:** The credit line has a variable- rate feature and the annual percentage rate and the payment can change as a result. The annual percentage rate does not include costs other than interest.

The annual percentage rate is based on the value of an index. The index is the highest prime rate in the Wall Street Journal "Money Rates Table". To determine the annual percentage rate that will apply to your account, we may add a margin to the value of the index.

Ask us for the current index value, margin, annual percentage rate and rate limitations. After you open an account, rate information will be provided on periodic statements that we send you.

**RATE CHANGES:** The annual percentage rate can change monthly. There is no limit on the amount by which the rate can change in any one year period. The ANNUAL PERCENTAGE RATE cannot increase by more than eight (8) percentage points above the initial rate during the term of the credit line. The annual percentage rate will never go below 4.00% even if the Prime Rate falls below 4.00%.

**MAXIMUM RATE AND PAYMENT EXAMPLES:** If you had an outstanding balance of \$10,000.00, the minimum payment at the maximum ANNUAL PERCENTAGE RATE of 12.00% (8% above the current interest rate of 4.00% (noted on the historical example for the year 2011) would be 155.56. This annual percentage rate could be reached at any time during the term of the Line of Credit. In addition, the minimum interest rate you will pay is 4.00% because Franklin Bank has set a floor (minimum interest rate) of 4.00%.

**VARIABLE-RATE EXAMPLE:** The following table shows how the actual 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 last 15 years. The index values are from the last business day in January of each year.

The table assumes that no additional credit advances were taken and that only the minimum payment was made each month. While only one payment amount per year is shown, payments would have varied during each year. The table does not necessarily indicate how the index or your payments would change in the future.

### 15 YEAR HISTORICAL TABLE

<b>YEAR</b>	<b>INDEX</b>	<b>MARGIN*</b>	<b>ANNUAL RATE</b>	<b>MINIMUM PAYMENT</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>\$</b>
1997	8.25	0.00	8.25	124.31
1998	8.50	0.00	8.50	118.22
1999	7.75	0.00	7.75	105.10
2000	8.50	0.00	8.50	103.42
2001	9.00	0.00	9.00	99.92
2002	4.75	0.00	4.75	68.11
2003	4.25	0.00	4.25	60.91
2004	4.00	0.00	4.00	55.67
2005	5.25	0.00	5.25	58.17
2006	7.50	0.00	7.50	64.68
2007	8.25	0.00	8.25	63.70
2008	6.00	0.00	6.00	50.60
2009	4.00	0.00	4.00	39.94
2010	4.00	0.00	4.00	38.94
2011	4.00	0.00	4.00	37.94

\*THIS IS THE MARGIN WE HAVE USED RECENTLY