

## HOME EQUITY ACCESS LINE OF CREDIT

Thank you for your interest in a home equity line of credit from Montecito Bank & Trust (MB&T). We appreciate this opportunity to assist you with your loan request.

This is a checklist of what the application package contains and which documents are for completion and signature and which are for you to read and keep for future reference.

✓	Order	Document Name	Requested Actions Green: Action requested Blue: For your records
	1	Home Equity Access Line of Credit Application	Complete information and sign. Submit to MB&T.
	2	Description of Property	Complete information and sign. Submit to MB&T.
	3	Property Insurance Form	Complete information. Submit to MB&T.
	4	The Housing and Financial Discrimination Act of 1977 Fair Lending Notice	Two copies are provided to you. Read and sign one copy to submit to MB&T. Retain the second copy for your files and future reference.
	5	Request for Transcript of Tax Return, Form 4506-T	Complete information and sign. Submit to MB&T.
	6	Certification of Trust	If applicable to you, complete and sign. Submit to MB&T.
	7	Authorization to Release Information	Complete information and sign. Submit to MB&T.
	8	Customer Privacy Policy and "Important Privacy Choices for Consumers"	Read and keep for your future reference. If you wish to "opt out," complete, sign and submit to MB&T.
	9	Home Equity Access Line Disclosure	Read and keep for your future reference.
	10	Promotional and Preferred Rate Addendum to Home Equity Access Line Application Disclosure	Read and keep for your future reference.
	11	Disclosure of Right to Receive a Copy of the Appraisal	Read and keep for your future reference.
	12	"What you should know about home equity lines of credit"	Prepared by the federal Consumer Financial Protection Bureau. Read and keep for your future reference.

Along with the enclosed forms to be completed, **please provide the following:**

- A copy of your most recent statement for any liquid assets not held at Montecito Bank & Trust, dated within the last 60 days
- A copy of your most recent first position mortgage statement
- A copy of your first position mortgage Promissory Note
- A copy of evidence of your homeowner's insurance (including flood insurance, if applicable)
- A copy of your most recent property tax bill or assessment

We will also need evidence to verify each of the income sources listed on your application. If tax returns are provided, please provide original signatures on the tax returns certifying as to the authenticity of the return.

If your current year tax return has **not** been filed, we will need a copy of the extension, along with a W-2, business financial statement, or other document evidencing your income for the prior **full** year. Please also provide the following if you are:

#### **Employed**

- A full copy of your most recent two years federal tax returns
- A copy of your most recent pay stub
- Overtime and bonus income can be used if it is evidenced in your most recent two years' federal tax return and year-to-date paystub that you received it. Include this information only if you wish to have it included in the credit decision.

#### **Self-Employed or Non-Salaried Income**

- Full copies of federal tax returns of applicant and all related entities, including K-1's for the past two years. Please reflect the most recent earnings information on your application for credit.
- A copy of your current interim business financial statement
- A copy of your current business debt schedule
- An accounting of current year-to-date income

Thank you for your interest in a Montecito Bank & Trust Home Equity Access Line of Credit. If you have any questions as you review these forms and disclosures, please feel free to contact our Service Center at (805) 963-7511.

## HOME EQUITY ACCESS LINE APPLICATION

### 1. APPLICATION STATUS: Please mark one box below and see instructions.

**Individual Credit:** If you are applying individually and are NOT married and are NOT a registered domestic partner, please complete all sections of this application except those pertaining to a spouse or registered domestic partner. If you are applying individually and are married or are a registered domestic partner, please complete all sections of this application and include all information about your spouse or partner. Your spouse or partner is NOT required to sign this application.

**Joint Credit With Spouse or Registered Domestic Partner:** Please complete all sections of this application. Both parties are required to sign this application. We intend to apply jointly: Applicant: Yes No Initial\_\_\_\_\_ Co-Applicant: Yes No Initial\_\_\_\_\_

**Joint Credit With Person(s) Other Than Spouse or Registered Domestic Partner, or Individual Credit Relying on Another Person's Income:** If you are married or are a registered domestic partner, please complete all sections of this application and include all information about your spouse or partner. Your spouse or partner is not required to sign this application. The co-applicant or person on whose income you are relying must complete a separate application.

We intend to apply jointly: Applicant: Yes No Initial\_\_\_\_\_ Co-Applicant: Yes No Initial\_\_\_\_\_

### 2. PLEASE TELL US ABOUT YOUR CREDIT REQUEST:

Total Amount Requested \$ _____	Manner in which title is held _____
Name(s) in which title is held _____	
FUNDS TO BE USED FOR THE PURPOSE OF <i>(Complete all applicable boxes. Total(s) must equal Total Amount Requested above.)</i>	
Home Improvement \$ _____	
Other \$ _____	
<i>(Please describe other purpose:)</i> _____	
Refinance \$ _____	

### 3. PLEASE TELL US ABOUT THE DWELLING YOU WISH TO USE AS COLLATERAL:

Dwelling Address (street, city, state, & ZIP) _____			
Year Acquired	Original Cost \$ _____	Estimated Market Value \$ _____	Amount of Existing Liens \$ _____
Is your dwelling occupied?	Yes No	Is there a mortgage on your dwelling?	Yes No
Is your dwelling for sale?	Yes No	Is this dwelling your primary residence?	Yes No
Are taxes & insurance impounded?	Yes No		

### 4. PLEASE TELL US ABOUT YOURSELF:

Name (include Jr. or Sr. if applicable)		Driver's License No./State	Driver's License Issue Date	Driver's License Exp. Date
Social Security Number		Date of Birth	Mother's Maiden Name	
Home Phone	Cell Phone	E-mail*	Marital Status Married Separated Unmarried ( <i>Single, Divorced, Widowed</i> ) Registered Domestic Partner	
*By including your email address, you agree to receive occasional emails from Montecito Bank & Trust with special offers, deals, and promotions or surveys.				
Present Physical Address			Own/Rent Own Rent	No. of Years There
Dependents (not listed by Co-Borrower) No. Ages:		Present Mailing Address (If different from above address)		
<i>If residing at present address for less than two years, complete the following:</i>				
Former Address (street, city, state, ZIP)			Own/Rent Own Rent	No. of Years There

**SPOUSE OR REGISTERED DOMESTIC PARTNER:**

Name (include Jr. or Sr. if applicable)		Driver's License No./State	Driver's License Issue Date	Driver's License Exp. Date
Social Security Number		Date of Birth	Mother's Maiden Name	
Home Phone	Cell Phone	E-mail*	Marital Status Married      Separated Unmarried ( <i>Single, Divorced, Widowed</i> ) Registered Domestic Partner	
<i>*By including your email address, you agree to receive occasional emails from Montecito Bank &amp; Trust with special offers, deals, and promotions or surveys.</i>				
Present Physical Address			Own/Rent Own      Rent	No. of Years There
Dependents (not listed by Co-Borrower) No.      Ages:		Present Mailing Address (if different from above address)		
<i>If residing at present address for less than two years, complete the following:</i>				
Former Address (street, city, state, ZIP)			Own/Rent Own      Rent	No. of Years There

**5. PLEASE PROVIDE YOUR EMPLOYMENT INFORMATION:**

Name of Employer		Address of Employer		Self-Employed? Active Military? Retired?	
Years on this job	Years employed in this line of work or profession	Position/Title/Type of Business	Business Phone	Supervisor Name/Phone	
<i>If employed in current position for less than two years, or if currently employed in more than one position, complete the following:</i>					
Name of Employer		Address of Employer		Self-Employed? Yes      No	
Dates (From – To) –	Position/Title/Type of Business		Business Phone		

**SPOUSE OR REGISTERED DOMESTIC PARTNER:**

Name of Employer		Address of Employer		Self-Employed? Active Military? Retired?	
Years on this job	Years employed in this line of work or profession	Position/Title/Type of Business	Business Phone	Supervisor Name/Phone	
<i>If employed in current position for less than two years, or if currently employed in more than one position, complete the following:</i>					
Name of Employer		Address of Employer		Self-Employed? Yes      No	
Dates (From – To) –	Position/Title/Type of Business		Business Phone		

**6. PLEASE PROVIDE YOUR MONTHLY INCOME:**

Gross Monthly Salary and Wages \$	Net Monthly Salary and Wages \$	Other Income* (Monthly) \$	Source
Other Income* (Monthly) \$	Source	Other Income* (Monthly) \$	Source

*\*Alimony, child support or separate maintenance income needs to be listed only if you wish such income to be considered in evaluating this application. Include overtime pay, bonuses, commissions, rental income, and income from part-time employment if you receive it on a regular basis.*

Alimony, child support, or separate maintenance received under:      Court Order      Written Agreement      Oral understanding

Number of years remaining: \_\_\_\_\_

**SPOUSE OR REGISTERED DOMESTIC PARTNER:**

Gross Monthly Salary and Wages \$	Net Monthly Salary and Wages \$	Other Income* (Monthly) \$	Source
Other Income* (Monthly) \$	Source	Other Income* (Monthly) \$	Source

\*Alimony, child support or separate maintenance income needs to be listed only if you wish such income to be considered in evaluating this application. Include overtime pay, bonuses, commissions, rental income, and income from part-time employment if you receive it on a regular basis.

Alimony, child support, or separate maintenance received under:                      Court Order                      Written Agreement                      Oral understanding

Number of years remaining: \_\_\_\_\_

**7. PLEASE TELL US ABOUT YOUR PERSONAL FINANCES:**

List assets and liabilities for you and, if married or a Registered Domestic Partner, your spouse or partner. If married or a Registered Domestic Partner, we will assume all assets are community property and all debts are community obligations unless you indicate otherwise. Attach a separate sheet if you need more space.

ASSETS		LIABILITIES		
DESCRIPTION	CASH OR MARKET VALUE	CREDITORS' NAMES, ADDRESSES, & ACCOUNT #'s	MONTHLY PAYMENT & NO. OF MONTHS LEFT TO PAY	UNPAID BALANCE
CHECKING AND SAVINGS ACCOUNTS (show name of institution and account number)  (Attach separate sheet if necessary)	(\$)	Debts (include "revolving" charge accounts)  (Attach separate sheet if necessary)	\$ Payment / # of Months	(\$)
(checking)	\$		\$ /	\$
(checking)	\$		\$ /	\$
(savings)	\$		\$ /	\$
(savings)	\$		\$ /	\$
IRA/KEOGH	\$		\$ /	\$
STOCKS & BONDS (attach schedule)	\$		\$ /	\$
LIFE INSURANCE (cash value)	\$	OTHER LIABILITIES	\$ /	\$
REAL ESTATE OWNED FROM SCHEDULE BELOW	\$	REAL ESTATE LOANS: FIRST MORTGAGE	\$ /	\$
ADDITIONAL REAL ESTATE OWNED	\$	SECOND MORTGAGE	\$ /	\$
AUTO (make + year) –	\$	AUTO LOAN	\$ /	\$
AUTO (make + year) –	\$	AUTO LOAN	\$ /	\$
VESTED INTEREST IN RETIREMENT FUND	\$	PROPERTY TAXES & HAZARD INSURANCE PREMIUMS	\$ /	
FURNITURE AND PERSONAL PROPERTY	\$	HOMEOWNERS ASSOCIATION DUES	\$ /	
NET WORTH OF BUSINESS OWNED	\$	RENT OR SPACE RENT	\$ /	
OTHER ASSETS	\$	ALIMONY, CHILD SUPPORT & SEPARATE MAINTENANCE	\$ /	
<b>TOTAL ASSETS</b>	\$	<b>TOTAL LIABILITIES</b>	\$	

**SCHEDULE OF REAL ESTATE OWNED**

Property Address	Purchase Year	Purchase Price	Market Value	Monthly Income	Monthly Payment	Loan Balance
		\$	\$	\$	\$	\$
		\$	\$	\$	\$	\$
		\$	\$	\$	\$	\$
		\$	\$	\$	\$	\$
<b>Totals</b>		\$	\$	\$	\$	\$

**8. REPRESENTATIONS**

1. Have you or your spouse or domestic partner ever been the subject of bankruptcy proceedings or other debt reorganization or debt relief?	Yes	No
2. Have you ever had voluntary or involuntary repossessions of a vehicle, appliance or any other item?	Yes	No
3. Have you had any property foreclosed upon, including deed-in-lieu, within the last 7 years?	Yes	No
4. Have you ever had a loan charged off?	Yes	No
5. Are you a Guarantor, Co-maker or Endorser on anyone's debt?	Yes	No
6. Have you ever applied or obtained credit under another name? (If yes, enter name) – _____	Yes	No
7. Are there any suits or unpaid judgments now pending against you?	Yes	No
8. Are any assets held in trust?	Yes	No
9. Are any assets encumbered or debts secured except as indicated in this application?	Yes	No

**AGREEMENT:** Each of the undersigned ("You, "Your") specifically represents to Montecito Bank & Trust ("Lender") and agrees and acknowledges that: (1) the information provided in this application, as well as any other information that you provide to Lender (such as tax returns) is true and correct as of the date set forth opposite your signature and that any intentional or negligent misrepresentation of this information may result in civil liability, including monetary damages, to any person who may suffer any loss due to reliance upon any misrepresentation that you have made on this application, and/or in criminal penalties including, but not limited to, fine or imprisonment or both under the provisions of Title 18, United States Code, Sec. 1001, et seq.; (2) the loan requested pursuant to this application (the "Loan") will be secured by a deed of trust on the property described in this application; (3) the property will not be used for any illegal or prohibited purpose or use; (4) the property will be occupied as indicated in this application; (5) Lender may retain the original and/or an electronic record of this application, whether or not the Loan is approved; (6) Lender may continuously rely on the information contained in this application, you are obligated to amend and/or supplement the information provided in this application if any of the material facts that you have represented herein should change prior to the Loan closing; (7) in the event that your payments on the Loan become delinquent, Lender may, in addition to any other rights and remedies that it may have relating to such delinquency, report your name and account information to one or more consumer reporting agencies; and (8) Lender has not made any representation or warranty, express or implied, to you regarding the property or the condition or value of the property.

Acknowledgement. Each of you hereby acknowledges that Lender may verify or reverify any information contained in this application or obtain any information or data relating to the Loan, for any legitimate business purpose through any source, including a source named in this application or a consumer reporting agency. You authorize Montecito Bank & Trust ("Lender") to make all inquiries it deems necessary, including the obtaining of a credit bureau report, and to verify the accuracy of your statements with any source (including credit bureaus), and to determine your creditworthiness, now and on an ongoing basis, and you release all parties from any and all liability or claims for any damage whatsoever that may result therefrom. This means that Lender is authorized to contact the employer(s) listed above. You authorize Lender to use this information, and information from any credit bureau, in selecting and informing you about other products and services offered by Lender.

If your loan is approved, Lender may obtain future consumer credit reports on you to use in extending, modifying, or otherwise reviewing your loan. The undersigned acknowledge receipt of the following disclosures: 1) Home Equity Access Line Application Disclosure; 2) The Housing and Financial Discrimination Act of 1977 Fair Lending Notice; 3) Disclosure of Right to Receive a Copy of the Appraisal; 4) Customer Privacy Policy and "Important Privacy Choices for Consumers"; and 5) "What You Should Know About Home Equity Lines of Credit".

I authorize Montecito Bank & Trust to deduct payments for my Home Equity Access Line of Credit each month from the Montecito Bank & Trust deposit account listed below in accordance with the provisions in the Home Equity Access Line of Credit Account Agreement. Payments can only be debited from an account with the same entitlement/ownership. I understand I may qualify for an interest rate reduction with an auto debit from a Montecito Bank & Trust deposit account. The closing documents will identify the actual rate discount given. Please enter account number below.

**No, I do not want automatic repayment.**

USA PATRIOT ACT: Customer Identification Program – Enacted to help the government fight the funding of terrorism and money laundering activities. Federal law requires financial institutions to obtain, verify, and record information that identifies each person who opens an account. 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.

Montecito Bank & Trust Account Number:	
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**X** \_\_\_\_\_  
Signature of Applicant Date

**X** \_\_\_\_\_  
Signature of Spouse or Registered Domestic Partner Date

Mortgage Loan Originator Names and Nationwide Mortgage Licensing System and Registry IDs	Branch Associate:		
Montecito Bank & Trust NMLSR ID: <b>472185</b>	MLO?	Yes No	NMLSR ID:

BANK USE ONLY:	Branch Manager:	Responsibility Code:	Date Received by Branch:
CLG Received by:		Date CLG Received:	

## PROPERTY DESCRIPTION

To assist us in understanding your property, please describe your home.

Property Address: \_\_\_\_\_

Single family residence	Year purchased: _____	Square footage: _____
Condominium	Purchase price: _____	Bedrooms: _____
Manufactured home	Lot size: _____	Bathrooms: _____
Duplex	Year built: _____	Total rooms: _____
Other _____		

Please describe any additional features of your home (Pool, spa, guest house, barn, court, etc.):

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View: \_\_\_\_\_

Condition: \_\_\_\_\_

Parking: \_\_\_\_\_

If you have remodeled or added an addition, please describe the cost and date of construction:

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If you are in a homeowners' association, please list the association name and monthly dues:

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Completed by: \_\_\_\_\_ Date: \_\_\_\_\_

**PROPERTY INSURANCE INFORMATION**

**Please provide the information below about insurance on your home. Once your loan application is approved, we will send this form to your insurance brokerage firm.**

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

**TO:**

Insurance Agent: \_\_\_\_\_

Mailing Address: \_\_\_\_\_

Agent Phone: \_\_\_\_\_

Agent Fax: \_\_\_\_\_

**RE:**

Name and Policy Number: \_\_\_\_\_

Property Address: \_\_\_\_\_

We are obtaining a loan from Montecito Bank & Trust (the "Bank"). The Bank requires appropriate evidence of insurance to include the following:

**Type:** Fire and extended coverage

**Amount:** Full insurable value; however, in no event greater than the value of the replacement cost of the improvements

**Basis:** Replacement value

**Endorsements:** 438 BFU Lenders Loss Payable; and further stipulation that coverage will not be cancelled or diminished without a minimum of 30 days prior written notice to Bank, and without disclaimer of the insurer's liability for failure to give such notice.

**Deductibles:** Not greater than \$10,000

Please fax the requested information to:

MONTECITO BANK &amp; TRUST

Attn: Consumer Lending \_\_\_\_\_Address: P.O Box 2460, Santa Barbara, CA 93120-2460 \_\_\_\_\_Fax: (805) 965-7471 \_\_\_\_\_Phone: (805) 560-3443 \_\_\_\_\_



**THE HOUSING FINANCIAL DISCRIMINATION ACT OF 1977****FAIR LENDING NOTICE****IT IS ILLEGAL TO DISCRIMINATE IN THE PROVISION OF OR IN THE AVAILABILITY OF FINANCIAL ASSISTANCE BECAUSE OF THE CONSIDERATION OF:**

1. TRENDS, CHARACTERISTICS OR CONDITIONS IN THE NEIGHBORHOOD OR GEOGRAPHIC AREA SURROUNDING A HOUSING ACCOMMODATION, UNLESS THE FINANCIAL INSTITUTION CAN DEMONSTRATE IN THE PARTICULAR CASE THAT SUCH CONSIDERATION IS REQUIRED TO AVOID AN UNSAFE AND UNSOUND BUSINESS PRACTICE; OR
2. RACE, COLOR, RELIGION, SEX, MARITAL STATUS, NATIONAL ORIGIN OR ANCESTRY

IT IS ILLEGAL TO CONSIDER THE RACIAL, ETHNIC, RELIGIOUS OR NATIONAL ORIGIN COMPOSITION OF A NEIGHBORHOOD OR GEOGRAPHIC AREA SURROUNDING A HOUSING ACCOMMODATION OR WHETHER OR NOT SUCH COMPOSITION IS UNDERGOING CHANGE, OR IS EXPECTED TO UNDERGO CHANGE, IN APPRAISING A HOUSING ACCOMMODATION OR IN DETERMINING WHETHER OR NOT, OR UNDER WHAT TERMS AND CONDITIONS, TO PROVIDE FINANCIAL ASSISTANCE.

THESE PROVISIONS GOVERN FINANCIAL ASSISTANCE FOR THE PURPOSE OF THE PURCHASE, CONSTRUCTION, REHABILITATION OR REFINANCING OF ONE- TO FOUR-UNIT FAMILY RESIDENCES OCCUPIED BY THE OWNER AND FOR THE PURPOSE OF THE HOME IMPROVEMENT OF ANY ONE- TO FOUR-UNIT FAMILY RESIDENCE.

IF YOU HAVE QUESTIONS ABOUT YOUR RIGHTS, OR IF YOU WISH TO FILE A COMPLAINT, CONTACT THE MANAGEMENT OF THIS FINANCIAL INSTITUTION OR:

Department of Business Oversight

300 South Spring Street  
Suite 15513  
Los Angeles, California 90013-1259

Department of Business Oversight

45 Fremont Street  
Suite 1700  
San Francisco, California 94105-2219

**ACKNOWLEDGEMENT OF RECEIPT**

***I (we) received a copy of this notice.***

\_\_\_\_\_  
*Signature of Applicant*

\_\_\_\_\_  
*Date*

\_\_\_\_\_  
*Signature of Applicant*

\_\_\_\_\_  
*Date*

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\_\_\_\_\_  
*Signature of Applicant*

\_\_\_\_\_  
*Date*

\_\_\_\_\_  
*Signature of Applicant*

\_\_\_\_\_  
*Date*

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# Request for Transcript of Tax Return

▶ **Request may be rejected if the form is incomplete or illegible.**

**Tip.** Use Form 4506-T to order a transcript or other return information free of charge. See the product list below. You can quickly request transcripts by using our automated self-help service tools. Please visit us at [IRS.gov](http://IRS.gov) and click on "Order a Transcript" or call 1-800-908-9946. If you need a copy of your return, use **Form 4506, Request for Copy of Tax Return**. There is a fee to get a copy of your return.

<b>1a</b> Name shown on tax return. If a joint return, enter the name shown first.	<b>1b First social security number on tax return, individual taxpayer identification number, or employer identification number (see instructions)</b>
<b>2a</b> If a joint return, enter spouse's name shown on tax return.	<b>2b Second social security number or individual taxpayer identification number if joint tax return</b>
<b>3</b> Current name, address (including apt., room, or suite no.), city, state, and ZIP code (See instructions)	
<b>4</b> Previous address shown on the last return filed if different from line 3 (See instructions)	
<b>5</b> If the transcript or tax information is to be mailed to a third party (such as a mortgage company), enter the third party's name, address, and telephone number. The IRS has no control over what the third party does with the tax information.	

**Caution.** If the transcript is being mailed to a third party, ensure that you have filled in line 6 and line 9 before signing. Sign and date the form once you have filled in these lines. Completing these steps helps to protect your privacy.

**6 Transcript requested.** Enter the tax form number here (1040, 1065, 1120, etc.) and check the appropriate box below. Enter only one tax form number per request. ▶

- a Return Transcript**, which includes most of the line items of a tax return as filed with the IRS. A tax return transcript does not reflect changes made to the account after the return is processed. Transcripts are only available for the following returns: Form 1040 series, Form 1065, Form 1120, Form 1120A, Form 1120H, Form 1120L, and Form 1120S. Return transcripts are available for the current year and returns processed during the prior 3 processing years. Most requests will be processed within 10 business days . . . . .
- b Account Transcript**, which contains information on the financial status of the account, such as payments made on the account, penalty assessments, and adjustments made by you or the IRS after the return was filed. Return information is limited to items such as tax liability and estimated tax payments. Account transcripts are available for most returns. Most requests will be processed within 30 calendar days . . . . .
- c Record of Account**, which is a combination of line item information and later adjustments to the account. Available for current year and 3 prior tax years. Most requests will be processed within 30 calendar days . . . . .

**7 Verification of Nonfiling**, which is proof from the IRS that you **did not** file a return for the year. Current year requests are only available after June 15th. There are no availability restrictions on prior year requests. Most requests will be processed within 10 business days . . . . .

**8 Form W-2, Form 1099 series, Form 1098 series, or Form 5498 series transcript.** The IRS can provide a transcript that includes data from these information returns. State or local information is not included with the Form W-2 information. The IRS may be able to provide this transcript information for up to 10 years. Information for the current year is generally not available until the year after it is filed with the IRS. For example, W-2 information for 2007, filed in 2008, will not be available from the IRS until 2009. If you need W-2 information for retirement purposes, you should contact the Social Security Administration at 1-800-772-1213. Most requests will be processed within 45 days . . . . .

**Caution.** If you need a copy of Form W-2 or Form 1099, you should first contact the payer. To get a copy of the Form W-2 or Form 1099 filed with your return, you must use Form 4506 and request a copy of your return, which includes all attachments.

**9 Year or period requested.** Enter the ending date of the year or period, using the mm/dd/yyyy format. If you are requesting more than four years or periods, you must attach another Form 4506-T. For requests relating to quarterly tax returns, such as Form 941, you must enter each quarter or tax period separately.

**Signature of taxpayer(s).** I declare that I am either the taxpayer whose name is shown on line 1a or 2a, or a person authorized to obtain the tax information requested. If the request applies to a joint return, **either** husband or wife must sign. If signed by a corporate officer, partner, guardian, tax matters partner, executor, receiver, administrator, trustee, or party other than the taxpayer, I certify that I have the authority to execute Form 4506-T on behalf of the taxpayer. **Note.** For transcripts being sent to a third party, this form must be received within 120 days of signature date.

<b>Sign Here</b>	▶ Signature (see instructions)	Date	<b>Telephone number of taxpayer on line 1a or 2a</b>
	▶ Title (if line 1a above is a corporation, partnership, estate, or trust)		
	▶ Spouse's signature	Date	

## General Instructions

**Purpose of form.** Use Form 4506-T to request tax return information. You can also designate a third party to receive the information. See line 5.

**Tip.** Use Form 4506, Request for Copy of Tax Return, to request copies of tax returns.

**Where to file.** Mail or fax Form 4506-T to the address below for the state you lived in, or the state your business was in, when that return was filed. There are two address charts: one for individual transcripts (Form 1040 series and Form W-2) and one for all other transcripts.

If you are requesting more than one transcript or other product and the chart below shows two different RAIVS teams, send your request to the team based on the address of your most recent return.

**Automated transcript request.** You can quickly request transcripts by using our automated self help-service tools. Please visit us at IRS.gov and click on "Order a Transcript" or call 1-800-908-9946.

### Chart for individual transcripts (Form 1040 series and Form W-2)

If you filed an individual return and lived in:	Mail or fax to the "Internal Revenue Service" at:
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Florida, Georgia (After June 30, 2011, send your transcript requests to Kansas City, MO)	RAIVS Team P.O. Box 47-421 Stop 91 Doraville, GA 30362 770-455-2335
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Alabama, Kentucky, Louisiana, Mississippi, Tennessee, Texas, a foreign country, American Samoa, Puerto Rico, Guam, the Commonwealth of the Northern Mariana Islands, the U.S. Virgin Islands, or A.P.O. or F.P.O. address	RAIVS Team Stop 6716 AUSC Austin, TX 73301  512-460-2272
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Alaska, Arizona, Arkansas, California, Colorado, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Montana, Nebraska, Nevada, New Mexico, North Dakota, Oklahoma, Oregon, South Dakota, Utah, Washington, Wisconsin, Wyoming	RAIVS Team Stop 37106 Fresno, CA 93888  559-456-5876
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Connecticut, Delaware, District of Columbia, Maine, Maryland, Massachusetts, Missouri, New Hampshire, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Rhode Island, South Carolina, Vermont, Virginia, West Virginia	RAIVS Team Stop 6705 P-6 Kansas City, MO 64999  816-292-6102
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## Chart for all other transcripts

If you lived in or your business was in:	Mail or fax to the "Internal Revenue Service" at:
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Alabama, Alaska, Arizona, Arkansas, California, Colorado, Florida, Hawaii, Idaho, Iowa, Kansas, Louisiana, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Mexico, North Dakota, Oklahoma, Oregon, South Dakota, Texas, Utah, Washington, Wyoming, a foreign country, or A.P.O. or F.P.O. address	RAIVS Team P.O. Box 9941 Mail Stop 6734 Ogden, UT 84409  801-620-6922
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Connecticut, Delaware, District of Columbia, Georgia, Illinois, Indiana, Kentucky, Maine, Maryland, Massachusetts, Michigan, New Hampshire, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Rhode Island, South Carolina, Tennessee, Vermont, Virginia, West Virginia, Wisconsin	RAIVS Team P.O. Box 145500 Stop 2800 F Cincinnati, OH 45250  859-669-3592
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**Line 1b.** Enter your employer identification number (EIN) if your request relates to a business return. Otherwise, enter the first social security number (SSN) or your individual taxpayer identification number (ITIN) shown on the return. For example, if you are requesting Form 1040 that includes Schedule C (Form 1040), enter your SSN.

**Line 3.** Enter your current address. If you use a P. O. box, include it on this line.

**Line 4.** Enter the address shown on the last return filed if different from the address entered on line 3.

**Note.** If the address on Lines 3 and 4 are different and you have not changed your address with the IRS, file Form 8822, Change of Address.

**Line 6.** Enter only one tax form number per request.

**Signature and date.** Form 4506-T must be signed and dated by the taxpayer listed on line 1a or 2a. If you completed line 5 requesting the information be sent to a third party, the IRS must receive Form 4506-T within 120 days of the date signed by the taxpayer or it will be rejected.

**Individuals.** Transcripts of jointly filed tax returns may be furnished to either spouse. Only one signature is required. Sign Form 4506-T exactly as your name appeared on the original return. If you changed your name, also sign your current name.

**Corporations.** Generally, Form 4506-T can be signed by: (1) an officer having legal authority to bind the corporation, (2) any person designated by the board of directors or other governing body, or (3) any officer or employee on written request by any principal officer and attested to by the secretary or other officer.

**Partnerships.** Generally, Form 4506-T can be signed by any person who was a member of the partnership during any part of the tax period requested on line 9.

**All others.** See Internal Revenue Code section 6103(e) if the taxpayer has died, is insolvent, is a dissolved corporation, or if a trustee, guardian, executor, receiver, or administrator is acting for the taxpayer.

**Documentation.** For entities other than individuals, you must attach the authorization document. For example, this could be the letter from the principal officer authorizing an employee of the corporation or the Letters Testamentary authorizing an individual to act for an estate.

### Privacy Act and Paperwork Reduction Act

**Notice.** We ask for the information on this form to establish your right to gain access to the requested tax information under the Internal Revenue Code. We need this information to properly identify the tax information and respond to your request. You are not required to request any transcript; if you do request a transcript, sections 6103 and 6109 and their regulations require you to provide this information, including your SSN or EIN. If you do not provide this information, we may not be able to process your request. Providing false or fraudulent information may subject you to penalties.

Routine uses of this information include giving it to the Department of Justice for civil and criminal litigation, and cities, states, the District of Columbia, and U.S. commonwealths and possessions for use in administering their tax laws. We may also disclose this information to other countries under a tax treaty, to federal and state agencies to enforce federal nontax criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file Form 4506-T will vary depending on individual circumstances. The estimated average time is: **Learning about the law or the form**, 10 min.; **Preparing the form**, 12 min.; and **Copying, assembling, and sending the form to the IRS**, 20 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making Form 4506-T simpler, we would be happy to hear from you. You can write to the Internal Revenue Service, Tax Products Coordinating Committee, SE:W:CAR:MP:T:T:SP, 1111 Constitution Ave. NW, IR-6526, Washington, DC 20224. Do not send the form to this address. Instead, see *Where to file* on this page.

**CERTIFICATION OF TRUST  
(Loans, Deposits, Safe Deposit and Investments) (Probate Code 18100.5)**

**Revocable Trusts:** The current, acting trustee or trustees should complete the following Certification of Trust (“Certification”). Do not request or accept copies of pages from the trust or the trust agreement.

**Irrevocable Trusts:** The current, acting trustee or trustees should complete the following Certification. Attach the following pages of the trust agreement to this Certification: 1) the page that gives the name of the trust; 2) the page(s) that identify the trustee(s) and successor trustee(s); and 3) the signature page showing that the trust agreement has been executed. With the exception of situations where Montecito Bank & Trust is appointed as trustee or successor trustee, DO NOT ATTACH A FULL COPY OF THE TRUST AGREEMENT. Inconsistencies in the information provided in this Certification and such information as set forth in the pages of the Trust Agreement provided to Montecito Bank & Trust (“Bank”) shall be resolved in favor of the facts as stated in the pages of the Trust Agreement provided to the Bank.

Each of the undersigned as trustee of the Trust (“Trustee”), and as an individual, certifies as follows:

1. **Full Name of Trust** (e.g., “*Smith Family Living Trust under Declaration of Trust dated 1/1/90*”):  
 \_\_\_\_\_ (the  
 “Trust” or “Trust Agreement”).
2. **Date of Trust.** The Trust Agreement is dated: \_\_\_\_\_.
3. **Revocability** (*one box must be checked*):
  - A. **Revocable.** The Trust is a revocable trust. The power to revoke is currently held by the trustors/settlors named below.  
 Trustor: \_\_\_\_\_  
 Trustor: \_\_\_\_\_  
 Trustor: \_\_\_\_\_
  - B. **Irrevocable.** The Trust is an irrevocable trust.
4. **Trustors (aka Settlers).** The names of all trustors, as stated in the Trust Agreement (as amended), are:
  - a. \_\_\_\_\_
  - b. \_\_\_\_\_
  - c. \_\_\_\_\_
5. **Current Trustees.** The names of all currently acting trustees, as stated in the Trust Agreement (as amended), are:
  - a. \_\_\_\_\_
  - b. \_\_\_\_\_
  - c. \_\_\_\_\_
6. **Number of Trustees** (*one box must be checked*):
  - A. I am the current and sole Trustee of the Trust.
  - B. We are all of the current Co-Trustees of the Trust.

7. **Signature Authority** *(one box must be checked):*

- A. As sole Trustee, I have all necessary signature authority to bind the Trust and take the actions specified in Section 8 below.
- B. The Trust Agreement provides that \_\_\_\_\_ of \_\_\_\_\_ Co-Trustees is the minimum number of Trustees required to sign to bind the Trust and take the actions specified in Section 8 below.

8. **Authorizations.**

**Borrowing Powers** - As Trustee, I/we have the authority and power to:

- A. Borrow from Bank from time to time on such terms and in such amounts as may be agreed upon with Bank (the "Loan" or "Loans") without the consent or approval of any other person(s) and execute and deliver promissory notes, loan agreements and related loan documents (collectively, "Loan Documents") on behalf of the Trust which evidence a Loan or Loans.
- B. Execute and deliver to Bank all renewals, extensions, increases, modifications or substitutions for any and all of the Loans or Loan Documents.
- C. Mortgage, pledge, grant security interests in, assign or otherwise encumber and deliver to Bank (collectively, grant a "Security Interest") any real property, personal property, insurance policies and proceeds thereof, deposit accounts or investment accounts in which the Trust holds an interest ("Trust Property"), as security for the repayment of any Loan and the performance of any obligation by the Trust pursuant to any Loan Documents, and execute and deliver to Bank any deed of trust, pledge agreement, security agreement, financing statement and the like (collectively, "Security Instrument").
- D. *(If Trust will act as guarantor.)* Execute and deliver a guaranty in form and content acceptable to Bank ("Guaranty"), whereby the Trust guarantees any and all obligations of any third party including Trustee(s) in their individual capacities, with the following limitations, if any:  

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- E. *(If Trust will grant collateral to secure its guarantor obligations.)* Grant Security Interests in, and execute any Security Instrument covering, any Trust Property to secure the performance of any and all obligations of any third party including Trustee(s) in their individual capacities and to secure the performance by the Trust of its obligations under any Guaranty executed by the Trust with the following limitations, if any:  

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- F. Act in the capacity of:
  - Manager of a manager-managed limited liability company or member of a member-managed limited liability company, with the power to verify the existence of, execute documents on behalf of, and contractually bind the limited liability company. The name(s) of the limited liability company(ies) in which Trust is authorized to participate and act as manager is/are:  

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  - General Partner in a general or limited partnership with the power to verify the existence of, execute documents on behalf of, and contractually bind the partnership. The name(s) of the partnership(s) in which Trust is authorized to participate and act as general partner is/are:  

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**Deposit Account, Investment Account and Safe Deposit Powers** - As Trustee, I/we have the authority and power to:

- G. Draw, endorse, and discount with Bank any checks, drafts, trade acceptances, promissory notes, or other evidences of indebtedness payable to or belonging to the Trust, and either to receive cash for the same or to cause such proceeds to be credited to any of the Trust's accounts with Bank or to make such other dispositions of the proceeds.
- H. Open and close deposit and investment accounts ("Accounts"), including checking and savings accounts, mutual funds, annuities, non-deposit investment products and other uninsured investment products, on behalf of the Trust, deposit funds into, sign checks drawn upon, and withdraw funds from the accounts established for the Trust, all without limitation or the consent of any other person.
- I. Open and close any safe deposit box on behalf of the Trust, enter into rental agreements for, deposit Trust property into, and withdraw Trust property from and surrender such safe deposit box established for the Trust.

**9. Co-Trustees.** Where this Certification is signed by Co-Trustees, each Trustee certifies for himself or herself and not for the other(s). References to the singular include the plural.

**10. Tax Identification Number.** The tax identification number of the Trust is \_\_\_\_\_.

**11. Title.** Title to Trust assets should be taken as follows: *(Example: "John Doe and Jane Doe, as Trustees of the Doe Family Living Trust Under Trust Agreement Dated January 4, 1999")*: \_\_\_\_\_

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**12. Miscellaneous.** The Trust is in full force and has not been revoked, modified or amended in any manner which would cause the representations in this Certification to be incorrect. This Certification is being signed by all of the currently acting trustees of the Trust. This Certification shall be continuing and shall remain in full force and effect until written notice of its revocation shall have been received by the Bank. Any and all acts authorized pursuant to this Certification and performed prior to the delivery of this Certification are hereby ratified and approved. Trustee(s) agree that the Trustee(s) will provide written notice to Bank prior to the transfer from Trust of any Trust asset and prior to changing any of the information set forth herein.

*[Signature(s) on following page.]*

**Individually and as Trustee on behalf of the Trust, I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.**

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

Trustee: \_\_\_\_\_  
(Signature)

Trustee: \_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Type or Print Name)

\_\_\_\_\_  
(Type or Print Name)

**ALL SIGNATURES MUST BE NOTARIZED**

**ACKNOWLEDGMENT**

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF CALIFORNIA )  
 ) ss.  
COUNTY OF \_\_\_\_\_ )

On \_\_\_\_\_, before me, \_\_\_\_\_, personally

appeared \_\_\_\_\_,  
who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature \_\_\_\_\_

(SEAL)

For subsequently opened Accounts or safe deposit boxes, all Trustees verify that there are no changes to this Certification of Trust and the Trust is in full force and has not been revoked, modified or amended in any manner which would cause the representations in this Certification to be incorrect.

Date Verified: \_\_\_\_\_ Trustees' Initials: \_\_\_\_\_ Associate Initials: \_\_\_\_\_

Date Verified: \_\_\_\_\_ Trustees' Initials: \_\_\_\_\_ Associate Initials: \_\_\_\_\_

Date Verified: \_\_\_\_\_ Trustees' Initials: \_\_\_\_\_ Associate Initials: \_\_\_\_\_

Date Verified: \_\_\_\_\_ Trustees' Initials: \_\_\_\_\_ Associate Initials: \_\_\_\_\_

Date Verified: \_\_\_\_\_ Trustees' Initials: \_\_\_\_\_ Associate Initials: \_\_\_\_\_

**AUTHORIZATION TO RELEASE INFORMATION**

Applicant Name: \_\_\_\_\_

Mailing Address: \_\_\_\_\_

I (we) have applied for a loan or line of credit (the "Loan") with Montecito Bank & Trust (the "Bank"). As part of the application process, the Bank may verify information contained in my (our) loan application and/or in other documents required in connection with the Loan, either before the Loan is closed or as part of the Bank's quality control program.

I (we) authorize the Bank to obtain any and all information required to process my/our loan application, including but not limited to:

- Employment history (dates, title, income, hours worked, etc.)
- Banking and savings accounts of record.
- Mortgage loan rating (opening date, high credit, payment amount, loan balance, and payment record).
- Rental verification (opening date, payment amount, payment record).
- Any information deemed necessary in connection with a consumer credit report for the Loan, including my/our consumer and business credit histories.
- Re-verification of information after closing for quality control needs.

In addition, I (we) authorize release of information regarding the amount needed to pay off existing loans related to this application. I (we) further authorize the Bank to directly request relevant payoff statements (demand statements). The information is for the confidential use of the Bank in determining my (our) creditworthiness for the Loan or to confirm information I (we) have supplied. In addition, I (we) are aware that the documentation supplied is subject to re-verification after the loan disbursement.

A photocopy or FAX copy of this authorization may be deemed to be the equivalent of the original and may be used as a duplicate original.

*NOTICE TO APPLICANT: Federal law requires all financial institutions to require, obtain, and verify information that identifies each person who opens an account. What this means to you: When you open an account (including the Loan), the Bank will ask for your name, residential address, date of birth and social security number, which will allow the Bank to verify your identity.*

Please respond as soon as possible to facilitate the processing of this Loan application. A separate form should be completed for additional applicants.

Applicant \_\_\_\_\_  
(Please Print)

Social Security Number \_\_\_\_\_

Date of Birth \_\_\_\_\_

Date \_\_\_\_\_

Supervisor/HR Phone \_\_\_\_\_

Applicant Signature \_\_\_\_\_

Applicant \_\_\_\_\_  
(Please Print)

Social Security Number \_\_\_\_\_

Date of Birth \_\_\_\_\_

Date \_\_\_\_\_

Supervisor/HR Phone \_\_\_\_\_

Applicant Signature \_\_\_\_\_

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**FACTS**
**WHAT DOES MONTECITO BANK & TRUST DO WITH YOUR PERSONAL INFORMATION?**
**Why?**

Financial companies choose how they share your personal information. Federal law gives consumers the right to limit some but not all sharing. Federal law also requires us to tell you how we collect, share and protect your personal information. Please read this notice carefully to understand what we do.

**What?**

The types of personal information we collect and share depend on the product or service you have with us. This information can include:

- Social Security number and account balances
- transaction history and payment history
- checking account information and account transactions

When you are *no longer* our customer, we continue to share your information as described in this notice.

**How?**

All financial companies need to share customers' personal information to run their everyday business. In the section below, we list the reasons financial companies can share their customers' personal information; the reasons Montecito Bank & Trust chooses to share; and whether you can limit this sharing.

Reasons we can share your personal information	Does Montecito Bank & Trust share?	Can you limit this sharing?
<b>For our everyday business purposes</b> – such as to process your transactions, maintain your account(s), respond to court orders and legal investigations, or report to credit bureaus	Yes	No
<b>For our marketing purposes</b> – to offer our products and services to you	Yes	No
<b>For joint marketing with other financial companies</b>	Yes	Yes
<b>For our affiliates' everyday business purposes</b> – information about your transactions and experiences	No	We do not share
<b>For our affiliates' everyday business purposes</b> – information about your creditworthiness	No	We do not share
<b>For our affiliates to market to you</b>	No	We do not share
<b>For nonaffiliates to market to you</b>	No	We do not share

**Questions?**

Call (805) 963-7511 or go to <https://montecito.bank>

**Page 2**

<b>What we do</b>	
<b>How does Montecito Bank &amp; Trust protect my personal information?</b>	<p>To protect your personal information from unauthorized access and use, we use security measures that comply with federal law. These measures include computer safeguards and secured files and buildings.</p> <p>We value the trust you have placed in us as your bank of choice, and are constantly refining our security practices to continue protecting your information from intrusion or alteration.</p>
<b>How does Montecito Bank &amp; Trust collect my personal information?</b>	<p>We collect your personal information, for example, when you</p> <ul style="list-style-type: none"> <li>▪ open an account or apply for a loan</li> <li>▪ pay your bills or use your credit or debit card</li> <li>▪ tell us about your investment or retirement portfolio</li> </ul> <p>We also collect your personal information from others, such as credit bureaus, affiliates, or other companies.</p>
<b>Why can't I limit all sharing?</b>	<p>Federal law gives you the right to limit only</p> <ul style="list-style-type: none"> <li>▪ sharing for affiliates' everyday business purposes – information about your creditworthiness</li> <li>▪ affiliates from using your information to market to you</li> <li>▪ sharing for nonaffiliates to market to you</li> </ul> <p>State laws and individual companies may give you additional rights to limit sharing. See below for more on your rights under state law.</p>
<b>What happens when I limit sharing for an account I hold jointly with someone else?</b>	<p>Your choices will apply to everyone on your account – unless you tell us otherwise.</p>
<b>Definitions</b>	
<b>Affiliates</b>	<p>Companies related by common ownership or control. They can be financial and nonfinancial companies.</p> <ul style="list-style-type: none"> <li>▪ <i>Montecito Bank &amp; Trust does not share with our affiliates</i></li> </ul>
<b>Nonaffiliates</b>	<p>Companies not related by common ownership or control. They can be financial and nonfinancial companies.</p> <ul style="list-style-type: none"> <li>▪ <i>Montecito Bank &amp; Trust does not share with nonaffiliates so they can market to you</i></li> </ul>
<b>Joint marketing</b>	<p>A formal agreement between nonaffiliated financial companies that together market financial products or services to you.</p> <ul style="list-style-type: none"> <li>▪ <i>Our joint marketing partners include mortgage companies, securities broker-dealers, and credit card companies.</i></li> </ul>
<b>Other important information</b>	
<p>California law gives you the right to opt-out of certain sharing. Please see the enclosed notice entitled, "Important Privacy Choices for Consumers."</p>	

### Important Privacy Choices for Consumers

You have the right to control whether we share some of your personal information.

Please read the following information carefully before you make your choices below.

#### Your Rights

You have the following rights to restrict the sharing of personal and financial information with outside companies that we do business with. Nothing in this form prohibits the sharing of information necessary for us to follow the law, as permitted by law, or to give you the best service on your accounts with us. This includes sending you information about some other products or services.

#### Your Choices

**Restrict Information Sharing With Other Companies We Do Business With To Provide Financial Products and Services:** Unless you say "No", we may share personal and financial information about you with outside companies we contract with to provide financial products and services to you.

NO, please do not share personal and financial information with outside companies you contract with to provide financial products and services.

Apply this choice to me only. If you do not check this option, your choice will apply to all joint owners.

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#### Time Sensitive Reply

You may make your privacy choice at any time. Your choice marked here will remain unless you state otherwise. However, if we do not hear from you we may share some of your information with other companies with whom we have contracts to provide products and services.

Name: \_\_\_\_\_

Address: \_\_\_\_\_ City: \_\_\_\_\_ State/Zip: \_\_\_\_\_

Account Number(s): \_\_\_\_\_

Signature: \_\_\_\_\_

To exercise your choice, do one of the following:

- (1) Fill out, sign and send back this form to us using the envelope provided (you may want to make a copy for your records);
- (2) Call this toll-free number (800) 348-0146;
- (3) Reply electronically by contacting us through the following Internet option:  
<https://montecito.bank/privacy>.

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# HOME EQUITY ACCESS LINE APPLICATION DISCLOSURE

Montecito Bank & Trust  
P.O. Box 2460  
Santa Barbara, CA 93120

## IMPORTANT TERMS OF OUR HOME EQUITY ACCESS LINE APPLICATION DISCLOSURE

This disclosure contains important information about our Home Equity Access Line (the "Plan" or the "Credit Line"). You should read it carefully and keep a copy for your records.

**AVAILABILITY OF TERMS.** All of the terms of the Plan described herein 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 security interest in your home. You could lose your home if you do not meet the obligations in your agreement with us.

**POSSIBLE ACTIONS.** Under this Plan, we have the following rights:

**Termination and Acceleration.** We can terminate the Plan and require you to pay us the entire outstanding balance in one payment, and charge you certain fees, if any of the following happens:

- (a) You commit fraud or make a material misrepresentation at any time in connection with the Plan. 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 of the Plan.
- (c) Your action or inaction adversely affects the collateral for the Plan 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 of funds or 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 your dwelling declines significantly below the dwelling's appraised value for purposes of the Plan. This includes, for example, a decline such that the initial difference between the credit limit and the available equity is reduced by fifty percent and may include a smaller decline depending on the individual circumstances.
- (b) We reasonably believe that you will be unable to fulfill your payment obligations under the Plan due to a material change in your financial circumstances.
- (c) You are in default under any material obligation of the Plan. 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 other 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 the Plan.
- (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 governmental authority that continued advances may constitute an unsafe and unsound business practice.
- (g) The maximum annual percentage rate under the Plan is reached.

**Change in Terms.** We may make changes to the terms of the Plan if you agree to the change in writing at that time, if the change will unequivocally benefit you throughout the remainder of the Plan, or if the change is insignificant (such as changes relating to our data processing systems).

**Fees and Charges.** In order to open and maintain an account, you must pay certain fees and charges.

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

Description	Amount	When Charged
Early Line Closure Fee:	\$500.00	If you close this line of credit within 36 months of the note date, an early closure fee of \$500.00 will be assessed
Conversion Fee:	\$50.00	At the time a portion of the Credit Line is converted to a fixed rate, however the first conversion shall have a \$0 fee
Cancellation Fee:	\$100.00	At the time a Home Equity Access Loan is cancelled
NSF Handling Fee:	\$34.00	At the time a payment is returned to us for non-sufficient funds
Stop Payment Fee:	\$30.00	At the time you request a Stop Payment
Charge for Transaction Above Max Amt:	\$25.00	At the time of an advance exceeding the maximum amount allowed
Beneficiary/Demand Fee:	\$30.00	At the time a Beneficiary/Demand Statement is issued

**Late Charge.** Your payment will be late if it is not received by us within **20 days after the "Payment Due Date" shown on your periodic statement.** If your payment is late we may charge you 6.000% of the unpaid amount of the payment or \$5.00, whichever is greater.

**Third Party Fees.** You must pay certain fees to third parties such as appraisers, credit reporting firms, and government agencies.

## HOME EQUITY ACCESS LINE APPLICATION DISCLOSURE (Continued)

These third party fees generally total between \$0.00 and \$5,349.00. We estimate the breakdown of these as follows:

Description	Amount	When Charged
Flood Zone Determination and Monitoring Fee:	\$0 to \$14	At Account Opening
Tax Service:	\$0 to \$110	At Account Opening
Recording Fee:	\$0 to \$125	At Account Opening
Title Insurance:	\$0 to \$2,100	At Account Opening
Appraisal:	\$0 to \$2,500	At Account Opening
Escrow Fee:	\$0 to \$500	At Account Opening

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

**MINIMUM PAYMENT REQUIREMENTS.** You can obtain advances of credit during the following period: The Draw Period will continue until the maturity date (the "Draw Period"). After the Draw Period ends, the repayment period will begin. You will no longer be able to obtain credit advances. The length of the repayment period is as follows: all principal, outstanding interest and any uncollected fees are due at maturity. Your Regular Payment will equal the amount of your accrued FINANCE CHARGES. You will make 179 of these payments. You will then be required to pay the entire balance owing in a single balloon payment. If you make only the minimum payments, you may not repay any of the principal balance by the end of this payment stream. Your payments will be due monthly. Your "Minimum Payment" will be the Regular Payment, plus any amount past due and all other charges. An increase in the ANNUAL PERCENTAGE RATE may increase the amount of your Regular Payment.

**MINIMUM PAYMENT EXAMPLE.** If you made only the minimum 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 5.000%. During that period, you would make 179 monthly payments ranging from \$38.36 to \$42.47 and one final payment of \$10,042.47.

**TRANSACTION REQUIREMENTS.** The following transaction limitations will apply to the use of your Credit Line:

**Credit Line Home Equity Line Check, Telephone Request, Request By Mail and In Person Request Limitations.** There are no transaction limitations for the writing of Home Equity Line Checks, requesting an advance by telephone, requesting an advance by mail or requesting an advance in person.

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

**VARIABLE RATE FEATURE.** The Plan 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 does not include costs other than interest.

**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. Information about the Index is available or published in the Wall Street Journal. We will use the most recent Index value available to us as of the first day of the month to make 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 becomes unavailable.

**ANNUAL PERCENTAGE RATE.** To determine the Periodic Rate that will apply to your account, we add a margin to the value of the Index, then divide the value by the number of days in a year (daily). To obtain the ANNUAL PERCENTAGE RATE we multiply the Periodic Rate by the number of days in a year (daily). This result is the **ANNUAL PERCENTAGE RATE**. 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 and annual percentage rate. After you open a credit line, rate information will be provided on periodic statements that we send you.

**Conversion Option.** Provided you are not then in default under any of the terms of your Credit Line, you may elect to convert any balance to a fixed rate or request new advances with a fixed rate

**ANNUAL PERCENTAGE RATE Increase.** Your ANNUAL PERCENTAGE RATE may increase if you exercise this option to convert to a fixed rate.

**Conversion Periods.** You can exercise the option to convert to a fixed rate only during the following period or periods: You can make a Conversion Election at any time during the Draw Period, subject to the Conversion Rules and our consent.

**Conversion Fees.** You will be required to pay the following fees at the time of conversion to a fixed rate: \$0 for the first Home Equity Access Loan and \$50.00 for each Home Equity Access Loan thereafter. If you later request to cancel a Home Equity Access Loan prior to its maturity, we may permit you to do so if you pay the cancellation fee that is in effect at the time of cancellation of the Home Equity Access Loan. The cancellation fee is currently \$100.00. If you cancel a Home Equity Access Loan prior to its maturity, the then outstanding balance will revert to your Credit Line and will be treated as a variable rate loan under the terms of this Agreement.

**Rate Determination.** The fixed rate will be determined as follows: by adding a margin to the Index. We will provide you with the current rates in effect upon your request.

**Conversion Rules.** You can convert to a fixed rate only during the period or periods described above. In addition, the following rules apply to the conversion option for the Plan: We will only honor your Conversion Election during the Conversion Period and provided you are not then in default under the terms of your Credit Line. In addition, the following rules apply to the Conversion Option: The minimum amount which can be converted to a Home Equity Access Loan is \$10,000.00. You may select a term of 3, 5, 7 or 10 years for any Home Equity Access Loan, however, the term for any Home Equity Access Loan cannot exceed the Maturity Date of the Credit Line. You may not have more than three Home Equity Access Loans under your Credit Line at any one time and cannot increase the amount of a specific Home Equity Access Loan once it is established. The aggregate outstanding balance of all of your Home Equity Access Loans cannot exceed the lesser of your Credit Limit or \$500,000.00 at any one time. You may request a Home Equity Access Loan by telephone or in person at any of our branches. When you request a Home Equity Access Loan, one of our associates will provide you with a quote (the "Fixed Rate Quote") for the ANNUAL PERCENTAGE RATE that will be applicable to such Home Equity Access Loan based upon, among other things, the principal amount of your request and the term. If you do not approve the Fixed Rate Quote and advise us to proceed at the time you receive such quote, you will need to make another request if you subsequently decide to proceed with a Conversion Election. THE FIXED RATE QUOTE IS ONLY APPLICABLE AT THE TIME IT IS PRESENTED TO YOU AND THE ANNUAL PERCENTAGE RATE APPLICABLE TO ANY SUBSEQUENT REQUEST MAY BE HIGHER THAN THE ANNUAL PERCENTAGE RATE APPLICABLE TO A PRIOR FIXED RATE QUOTE. If you approve the Fixed Rate Quote, we will send you written confirmation and the requested Home Equity Access Loan will go into effect within one (1) business day from the date you

## HOME EQUITY ACCESS LINE APPLICATION DISCLOSURE (Continued)

approve such quote. You may request that we deposit the proceeds from any Home Equity Access Loan into an account you maintain with us provided that title to such account is identical to the way you hold title to the Property securing your Credit Line. You may also request that we convert an existing balance under your Credit Line to a Home Equity Access Loan but we will not send Home Equity Access Loan funds to any third party or into any accounts not appropriately titled or to any account, regardless of title, maintained at any other financial institution. We will separately provide you with more detail on how to request a Home Equity Access Loan.

**Payments.** The Home Equity Access Loans will not be subject to the "Minimum Payment" section of this Agreement. Instead, when we establish each Home Equity Access Loan, we will calculate the required monthly payment ("Installment Payment") to fully payoff that Home Equity Access Loan in substantially equal payments over its term at the applicable ANNUAL PERCENTAGE RATE. Therefore, your minimum payment required each month will be Installment Payments for each Home Equity Access Loan, any amounts past due plus the minimum payment amount for any other balances under your Credit Line which have not been converted to a Home Equity Access Loan as calculated pursuant to the Minimum Payment section of this Agreement; **provided, however**, you will have a one-time option to make payments on your first Home Equity Access Loan in accordance with the Minimum Payment Requirements section of this Agreement provided you select a three or five year term. If you select this "interest only" option, the monthly Minimum Payment will not reduce the principal balance of such Home Equity Access Loan and accordingly, at the end of the term the entire outstanding principal balance of such Home Equity Access Loan will be automatically converted to a variable rate advance under your Credit Line with interest calculated at the then applicable rate. PLEASE NOTE: If the term of your "interest only" Home Equity Access Loan coincides with or ends less than thirty (30) days prior to the maturity date of your Credit Line, you will be required to make a single balloon payment equal to the outstanding principal balance of such Home Equity Access Loan. Additional principal payments for a Home Equity Access Loan may be made at any time but will not change your responsibility to pay future Home Equity Access Loan payments as long as any amount is still owing on the Home Equity Access Loan unless we agree otherwise in writing. Any principal payment made on any Home Equity Access Loan will increase the amount available under your Credit Line. You will be able to re-borrow the amount of such principal payments under the terms of this Agreement as soon as we have applied such principal payments against the outstanding balance of the applicable Home Equity Access Loan.

**FREQUENCY OF ANNUAL PERCENTAGE RATE ADJUSTMENTS.** Your ANNUAL PERCENTAGE RATE can change monthly on the 1st business day of the month. There is no limit on the amount by which the annual percentage rate can change during any one year period. However, under no circumstances will your ANNUAL PERCENTAGE RATE exceed 17.000% per annum or, go below 3.750% per annum at any time during the term of the Plan.

**MAXIMUM RATE AND PAYMENT EXAMPLE.** If you had an outstanding balance of \$10,000.00, the minimum payment at the maximum ANNUAL PERCENTAGE RATE of 17.000% would be \$144.38. This ANNUAL PERCENTAGE RATE could be reached at the time of the 7th payment.

**PREPAYMENT.** \$100.00. However, this fee is applicable only for the cancellation of Home Equity Access Loan(s) as more thoroughly described in the paragraph entitled "Conversion Fees" in the Conversion Options section above. Notwithstanding a cancellation fee, you may prepay the Credit Line balance in full at any time without a prepayment fee; however, your early closure of the Credit Line may be subject to the Early Line Closure Fee set forth herein.

**HISTORICAL EXAMPLE.** The example below shows how the ANNUAL PERCENTAGE RATE and the minimum payments for a single \$10,000.00 credit advance would have changed based on changes in the Index from 2002 to 2016. The Index values are from the following reference period: as of the last 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 payments were made, and that the rate remained constant during the year. It does not necessarily indicate how the Index or your payments would change in the future.

**INDEX TABLE**

Year (as of the last business day in July)	Index (Percent)	Margin (1) (Percent)	ANNUAL PERCENTAGE RATE	Monthly Payment (Dollars)
2002.....	4.750.....	1.500	6.250	53.08
2003.....	4.000.....	1.500	5.500	46.71
2004.....	4.250.....	1.500	5.750	48.84
2005.....	6.250.....	1.500	7.750	65.82
2006.....	8.250.....	1.500	9.750	82.81
2007.....	8.250.....	1.500	9.750	82.81
2008.....	5.000.....	1.500	6.500	55.21
2009.....	3.250.....	1.500	4.750	40.34
2010.....	3.250.....	1.500	4.750	40.34
2011.....	3.250.....	1.500	4.750	40.34
2012.....	3.250.....	1.500	4.750	40.34
2013.....	3.250.....	1.500	4.750	40.34
2014.....	3.250.....	1.500	4.750	40.34
2015.....	3.250.....	1.500	4.750	40.34
2016.....	3.500.....	1.500	5.000	42.47

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

**APPRAISAL FEE.** Lines of Credit greater than \$250,000 may require an appraisal.

**THIRD PARTY FEES.** The third party fees listed may be waived if the Credit Line limit is \$500,000 or less.

**CLOSING COSTS CREDIT.** We will extend a credit in an amount not to exceed \$1,000 to be applied towards the third party fees you will incur in connection with opening the Credit Line when the Credit Line limit is greater than \$500,000 (the "Closing Costs Credit"). The Closing Costs Credit may not be applied towards FINANCE CHARGES you incur for any advances you make after the Credit Line is active, nor towards non-fee

## HOME EQUITY ACCESS LINE APPLICATION DISCLOSURE (Continued)

Page 4

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third party costs (such as payoff amounts paid to a third-party lender). Additionally, no portion of the Closing Costs Credit will be given to you in the event the sum of the third party fees are less than \$1,000.

**POSSIBLE RATE REDUCTIONS.** You may qualify for certain **APR** reductions. Please see the attached Addendum.

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PROMOTIONAL AND PREFERRED RATE ADDENDUM  
TO  
HOME EQUITY ACCESS LINE APPLICATION DISCLOSURE

This addendum (“Addendum”) supplements and amends the terms of your Home Equity Access Line Application Disclosure (“Disclosure”) with Montecito Bank & Trust. Capitalized terms used herein will have the meaning given them in the Disclosure unless otherwise defined in this Addendum.

Promotional Annual Percentage Rate

The **ANNUAL PERCENTAGE RATE (“APR”)** that will apply to your Home Equity Access Line (the “Plan”) will be reduced or “discounted” and will not be based on the Index and Margin used to make later adjustments to your **APR** and corresponding payment amounts. The discount will be in effect for the first six monthly billing cycles of your Plan (“Promotion Period”) during which time the **APR** will be **1.990%**. This discounted **APR** will not apply to your Plan balance starting on the day after the date of the sixth billing statement. This promotional **APR** will not apply to balances converted to a fixed rate plan as provided in the Conversion Option provisions of the Plan.

Preferred Rate Reductions

If you have elected or, during the term of your Plan, elect to authorize us in writing to automatically debit your deposit account and to collect all sums due under your Credit Line by debiting the full amount thereof from your deposit account with Montecito Bank & Trust and we have authorized such method of payment, one or both of the following Preferred Rate Reductions may apply to your Credit Line. If a preferred rate reduction is terminated, the Margin, the Daily Periodic Rate and corresponding **APR**, and the monthly payments may increase.

a. Automatic Payment Preferred Rate Reduction

**Reduction percentage:** .250%

This rate reduction will apply after the Promotion Period and, subject to the following termination provisions, so long as you maintain automatic payments on your Plan from your Montecito Bank & Trust deposit account.

Upon the occurrence of any of the following events, we may, in our sole and absolute discretion, terminate the Automatic Payment Preferred Rate Reduction: (i) cancellation of Automatic Payments from your Montecito Bank & Trust account; (ii) we determine, in our sole and absolute discretion, that your Montecito Bank & Trust account is no longer in good standing; or (iii) an event of Default. In the event we exercise our right to terminate the Automatic Payment Preferred Rate Reduction, the then applicable **APR** will increase by .250%, provided, however, in the event of a Default, the **APR** may increase by .250% plus the amount set forth in the Rate Increase provision of the Credit Agreement and Disclosure.

b. Account-Type Preferred Rate Reduction.

**Reduction percentage:** .250%

This rate reduction will apply after the Promotion Period and, subject to the following termination provisions, so long as you maintain one of the following deposit account types with Montecito Bank & Trust: (i) Access Checking, (ii) Private Access Checking, or

(iii) eChecking and automatic payments on your Plan are made from one of these accounts.

Upon the occurrence of any of the following events, we may, in our sole and absolute discretion, terminate the Account-Type Preferred Rate Reduction: (i) you no longer maintain one of the above listed account types with Montecito Bank & Trust, (ii) we determine, in our sole and absolute discretion, that your Montecito Bank & Trust account is no longer in good standing, (iii) your Plan payments are no longer automatically made from one of these account types, or (iv) an event of Default. In the event we exercise our right to terminate the Account-Type Preferred Rate Reduction, the then applicable **APR** will increase by .250%, provided, however, in the event of a Default, the **APR** may increase by .250% plus the amount set forth in the Rate Increase provision of the Credit Agreement and Disclosure.

c. No Preferred Rate Reduction Below **APR** Floor

In no event will a Preferred Rate Reduction reduce the **APR** on your Plan below 3.750%.

## **DISCLOSURE OF RIGHT TO RECEIVE COPY OF APPRAISAL**

We may order an appraisal to determine the property's value and charge you for this appraisal. We will promptly give you a copy of any appraisal, even if your loan does not close.

You can pay for an additional appraisal for your own use at your own cost.

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# What you should know about home equity lines of credit



Consumer Financial  
Protection Bureau

January 2014

This booklet was initially prepared by the Board of Governors of the Federal Reserve System. The Consumer Financial Protection Bureau (CFPB) has made technical updates to the booklet to reflect new mortgage rules under Title XIV of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act). A larger update of this booklet is planned in the future to reflect other changes under the Dodd-Frank Act and to align with other CFPB resources and tools for consumers as part of the CFPB's broader mission to educate consumers. Consumers are encouraged to visit the CFPB's website at [consumerfinance.gov/owning-a-home](http://consumerfinance.gov/owning-a-home) to access interactive tools and resources for mortgage shoppers, which are expected to be available beginning in 2014.

# Table of contents

<b>Table of contents.....</b>	<b>3</b>
<b>1. Introduction.....</b>	<b>4</b>
<b>1.1 Home equity plan checklist .....</b>	<b>4</b>
<b>2. What is a home equity line of credit? .....</b>	<b>6</b>
<b>2.1 What should you look for when shopping for a plan? .....</b>	<b>7</b>
<b>2.2 Costs of establishing and maintaining a home equity line .....</b>	<b>8</b>
<b>2.3 How will you repay your home equity plan? .....</b>	<b>9</b>
<b>2.4 Line of credit vs. traditional second mortgage loans .....</b>	<b>10</b>
<b>2.5 What if the lender freezes or reduces your line of credit? .....</b>	<b>11</b>
<b>Appendix A: .....</b>	<b>12</b>
Defined terms .....	12
<b>Appendix B: .....</b>	<b>15</b>
More information .....	15
<b>Appendix C: .....</b>	<b>16</b>
Contact information .....	16

# 1. Introduction

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.

## 1.1 Home equity plan checklist

Ask your lender to help you fill out this worksheet.

Basic features for comparison	Plan A	Plan B
Fixed annual percentage rate	%	%
Variable annual percentage rate	%	%
<input type="checkbox"/> Index used and current value	%	%
<input type="checkbox"/> Amount of margin		
<input type="checkbox"/> Frequency of rate adjustments		
<input type="checkbox"/> Amount/length of discount (if any)		
<input type="checkbox"/> Interest rate cap and floor		
Length of plan		
Draw period		

Basic features for comparison (continued)	Plan A	Plan B
Repayment period		
<b>Initial fees</b>		
Appraisal fee		
Application fee		
Up-front charges, including points		
Closing costs		
<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?		

## 2. 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 percent) 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
<b>Potential line of credit</b>	<b>\$35,000</b>

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.

## 2.1 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.

### 2.1.1 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 six 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.

## 2.2 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.



## 2.3 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 only the interest 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. However, some lenders may require you to pay special fees or penalties if you choose to pay more, so check with your lender. 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 percent interest rate, your monthly payments would be \$83. If the rate rises over time to 15 percent, 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.

## 2.4 Line 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.

### 2.4.1 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. Lenders are also required to provide you with a list of homeownership counseling organizations in your area.

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 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 lender in writing within the three-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.

The Home Ownership and Equity Protection Act of 1994 (HOEPA) addresses certain unfair practices and establishes requirements for certain loans with high rates and fees, including certain additional disclosures. HOEPA now covers some HELOCs. You can find out more information by contacting the CFPB at the website address and phone number listed in the Contact information appendix, below.

## 2.5 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 CFPB’s website at [consumerfinance.gov/askcfpb/5/can-i-review-my-credit-report.html](https://consumerfinance.gov/askcfpb/5/can-i-review-my-credit-report.html) for information about how to get free copies of your credit reports) 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. If another lender is willing to offer you a line of credit, 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.

## APPENDIX A:

# Defined terms

This glossary provides general definitions for terms commonly used in the real estate market. They may have different legal meanings depending on the context.

### DEFINED TERM

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**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.

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**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.

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**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.

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**BALLOON PAYMENT**

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

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**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.

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**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.

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**CREDIT LIMIT**

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

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**EQUITY**

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

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**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 ([consumerfinance.gov/f/201204\\_CFPB\\_ARMs-brochure.pdf](https://consumerfinance.gov/f/201204_CFPB_ARMs-brochure.pdf)) for examples of common indexes that have changed in the past.

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**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.

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**MARGIN**

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

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**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.

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**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, lessor, 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. The property that secures payment of your obligation is referred to as "collateral."

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**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.

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**VARIABLE RATE**

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

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## APPENDIX B:

# More information

For more information about mortgages, including home equity lines of credit, visit [consumerfinance.gov/mortgage](http://consumerfinance.gov/mortgage). For answers to questions about mortgages and other financial topics, visit [consumerfinance.gov/askcfpb](http://consumerfinance.gov/askcfpb). You may also visit the CFPB's website at [consumerfinance.gov/owning-a-home](http://consumerfinance.gov/owning-a-home) to access interactive tools and resources for mortgage shoppers, which are expected to be available beginning in 2014.

Housing counselors can be very helpful, especially for first-time home buyers or if you're having trouble paying your mortgage. The U.S. Department of Housing and Urban Development (HUD) supports housing counseling agencies throughout the country that can provide free or low-cost advice. You can search for HUD-approved housing counseling agencies in your area on the CFPB's web site at [consumerfinance.gov/find-a-housing-counselor](http://consumerfinance.gov/find-a-housing-counselor) or by calling HUD's interactive toll-free number at 800-569-4287.

The company that collects your mortgage payments is your loan servicer. This may not be the same company as your lender. If you have concerns about how your loan is being serviced or another aspect of your mortgage, you may wish to submit a complaint to the CFPB at [consumerfinance.gov/complaint](http://consumerfinance.gov/complaint) or by calling (855) 411-CFPB (2372).

When you submit a complaint to the CFPB, the CFPB will forward your complaint to the company and work to get a response. Companies have 15 days to respond to you and the CFPB. You can review the company's response and give feedback to the CFPB.

## APPENDIX C:

# Contact information

For additional information or to submit a complaint, you can contact the CFPB or one of the other federal agencies listed below, depending on the type of institution. If you are not sure which agency to contact, you can submit a complaint to the CFPB and if the CFPB determines that another agency would be better able to assist you, the CFPB will refer your complaint to that agency and let you know.

Regulatory agency	Regulated entities	Contact information
<b>Consumer Financial Protection Bureau (CFPB)</b> P.O. Box 4503 Iowa City, IA 52244	Insured depository institutions and credit unions with assets greater than \$10 billion (and their affiliates), and non-bank providers of consumer financial products and services, including mortgages, credit cards, debt collection, consumer reports, prepaid cards, private education loans, and payday lending	(855) 411-CFPB (2372) <a href="https://consumerfinance.gov">consumerfinance.gov</a> <a href="https://consumerfinance.gov/complaint">consumerfinance.gov/complaint</a>
<b>Board of Governors of the Federal Reserve System (FRB)</b> Consumer Help P.O. Box 1200 Minneapolis, MN 55480	Federally insured state-chartered bank members of the Federal Reserve System	(888) 851-1920 <a href="https://federalreserveconsumerhelp.gov">federalreserveconsumerhelp.gov</a>



Regulatory agency	Regulated entities	Contact information
<p><b>Office of the Comptroller of the Currency (OCC)</b> Customer Assistance Group 1301 McKinney Street Suite 3450 Houston, TX 77010</p>	<p>National banks and federally chartered savings banks/associations</p>	<p>(800) 613-6743 <a href="http://occ.treas.gov">occ.treas.gov</a> <a href="http://helpwithmybank.gov">helpwithmybank.gov</a></p>
<p><b>Federal Deposit Insurance Corporation (FDIC)</b> Consumer Response Center 1100 Walnut Street, Box #11 Kansas City, MO 64106</p>	<p>Federally insured state-chartered banks that are not members of the Federal Reserve System</p>	<p>(877) ASK-FDIC or (877) 275-3342 <a href="http://fdic.gov">fdic.gov</a> <a href="http://fdic.gov/consumers">fdic.gov/consumers</a></p>
<p><b>Federal Housing Finance Agency (FHFA) Consumer Communications</b> Constitution Center 400 7th Street, S.W. Washington, DC 20024</p>	<p>Fannie Mae, Freddie Mac, and the Federal Home Loan Banks</p>	<p>Consumer Helpline (202) 649-3811 <a href="http://fhfa.gov">fhfa.gov</a> <a href="http://fhfa.gov/Default.aspx?Page=369">fhfa.gov/Default.aspx?Page=369</a> <a href="mailto:ConsumerHelp@fhfa.gov">ConsumerHelp@fhfa.gov</a></p>
<p><b>National Credit Union Administration (NCUA)</b> Consumer Assistance 1775 Duke Street Alexandria, VA 22314</p>	<p>Federally chartered credit unions</p>	<p>(800) 755-1030 <a href="http://ncua.gov">ncua.gov</a> <a href="http://mycreditunion.gov">mycreditunion.gov</a></p>
<p><b>Federal Trade Commission (FTC)</b> Consumer Response Center 600 Pennsylvania Ave, N.W. Washington, DC 20580</p>	<p>Finance companies, retail stores, auto dealers, mortgage companies and other lenders, and credit bureaus</p>	<p>(877) FTC-HELP or (877) 382-4357 <a href="http://ftc.gov">ftc.gov</a> <a href="http://ftc.gov/bcp">ftc.gov/bcp</a></p>

Regulatory agency	Regulated entities	Contact information
<p><b>Securities and Exchange Commission (SEC)</b>  Complaint Center  100 F Street, N.E.  Washington, DC 20549</p>	<p>Brokerage firms, mutual fund companies, and investment advisers</p>	<p>(202) 551-6551  <a href="http://sec.gov">sec.gov</a>  <a href="http://sec.gov/complaint/select.shtml">sec.gov/complaint/select.shtml</a></p>
<p><b>Farm Credit Administration Office of Congressional and Public Affairs</b>  1501 Farm Credit Drive  McLean, VA 22102</p>	<p>Agricultural lenders</p>	<p>(703) 883-4056  <a href="http://fca.gov">fca.gov</a></p>
<p><b>Small Business Administration (SBA)</b>  Consumer Affairs  409 3<sup>rd</sup> Street, S.W.  Washington, DC 20416</p>	<p>Small business lenders</p>	<p>(800) U-ASK-SBA or  (800) 827-5722  <a href="http://sba.gov">sba.gov</a></p>
<p><b>Commodity Futures Trading Commission (CFTC)</b>  1155 21<sup>st</sup> Street, N.W.  Washington, DC 20581</p>	<p>Commodity brokers, commodity trading advisers, commodity polys, and introducing brokers</p>	<p>(866) 366-2382  <a href="http://cftc.gov/consumer-protection">cftc.gov/consumer-protection</a></p>

Regulatory agency	Regulated entities	Contact information
<p><b>U.S. Department of Justice (DOJ)</b>            Civil Rights Division            950 Pennsylvania Ave, N.W.            Housing and Civil Enforcement Section            Washington DC 20530</p>	<p>Fair lending and housing issues</p>	<p>(202) 514-4713            TTY-(202) 305-1882            FAX-(202) 514-1116            To report an incident of housing discrimination:            1-800-896-7743  <a href="mailto:fairhousing@usdoj.gov">fairhousing@usdoj.gov</a></p>
<p><b>Department of Housing and Urban Development (HUD)</b> Office of Fair Housing/Equal Opportunity            451 7<sup>th</sup> Street, S.W.            Washington, DC 20410</p>	<p>Fair lending and housing issues</p>	<p>(800) 669-9777  <a href="http://hud.gov/complaints">hud.gov/complaints</a></p>