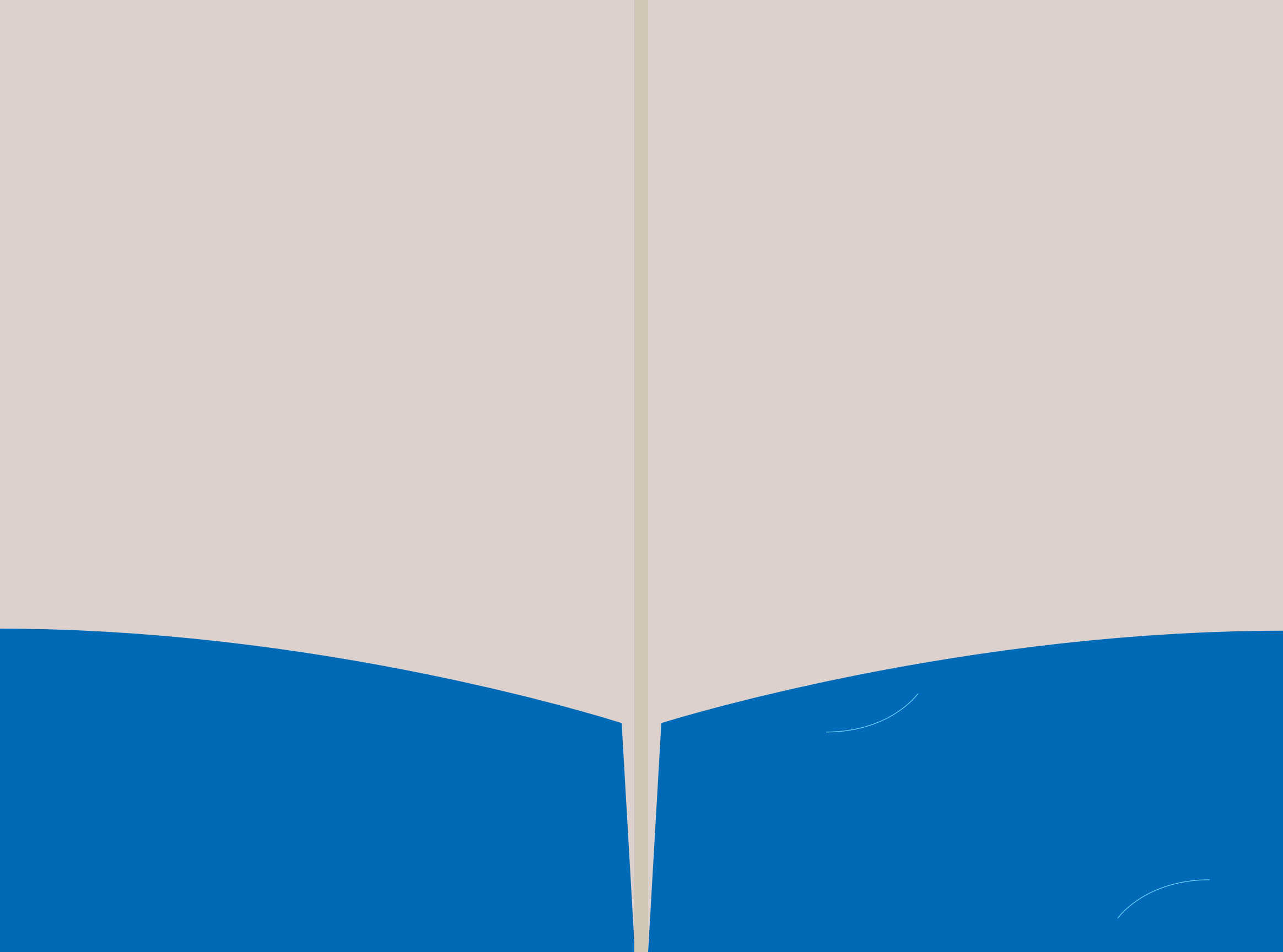


Home Equity Loans and Lines of Credit





At Bank of America, our goal is to meet your needs better than any other bank. That means providing the most helpful financial products and services and offering you the convenience, service and accuracy you deserve.

Facts at a glance.

- ▶ For most homeowners, interest paid on a home equity loan or line of credit may provide you with a money-saving tax deduction. Check with your tax advisor to determine how the deductibility rules affect you.
- ▶ A home equity loan or line of credit from Bank of America lets you borrow up to \$1,000,000 for almost any purpose.
- ▶ With rates lower than most credit cards and other types of consumer loans, a Bank of America home equity loan or line of credit is a smart way to borrow.
- ▶ Depending on the type of Equity Maximizer account you choose, you can borrow up to 80%, 90% — or even 100% of your home's value.
- ▶ Only Bank of America's Equity Maximizer Account gives you the best of both worlds. You can enjoy the control and convenience offered by a line of credit and the security of optional fixed rate loans all in one simple account.
- ▶ Our Loan-by-Phone service makes applying for an Equity Maximizer Account or home equity loan as easy as dialing 1.800.900.9000.

Home Equity Loans and Lines of Credit



BANK OF AMERICA'S HOME EQUITY FINANCING. THE SMART WAY TO MEET YOUR FINANCIAL NEEDS.

Using the equity in your home is a smart way to borrow for both today and tomorrow. It gives you quick access to the money you need to handle life's major expenses — such as remodeling your home, financing your child's education or paying off higher rate loans.

Significant advantages over other types of credit.

Bank of America offers you a choice of home equity financing options to meet your needs. You can choose our flexible variable rate Equity Maximizer® line of credit or our fixed rate home equity loan. Both combine interest deductibility with lower rates to give you unbeatable savings over most other types of consumer credit:

- ▶ **Tax advantages.** For most people, the interest paid on a home equity loan or line of credit may be tax deductible. Check with your tax advisor to determine how the deductibility rules affect you.
- ▶ **Lower interest rates.** Our home equity financing gives you lower interest rates than you'll find with most credit cards and consumer loans.

The Bank of America Equity Maximizer account.

Bank of America's Equity Maximizer combines a variable rate home equity line of credit with optional fixed rate loans in a single account. Here's how Equity Maximizer works:

- ▶ You'll enjoy the convenience of a line of credit that gives you easy access when you need it, just by writing a check.
- ▶ Choose up to three fixed rate installment loans without the hassle of reapplying.
- ▶ As the line of credit or installment loans are paid down, the money automatically becomes available for you to use again.
- ▶ Receive a summary of all transactions in a detailed monthly statement.

Apply quickly and easily by telephone.

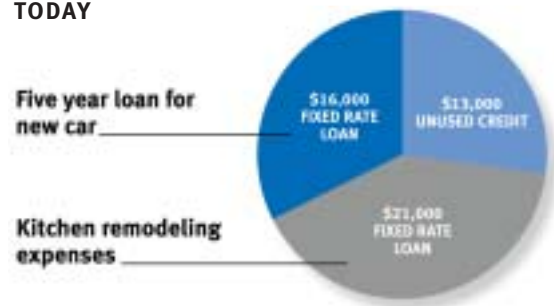
Call us toll-free at 1.800.900.9000, Monday through Friday, 8:00 a.m. to 8:00 p.m., and Saturday and Sunday 9:00 a.m. to 5:00 p.m. For customers wishing to do business in Spanish, call "Presta Linea" toll-free at 1.888.212.6060. In most cases we can give you an answer while you are still on the phone.¹



Equity Maximizer gives you control.

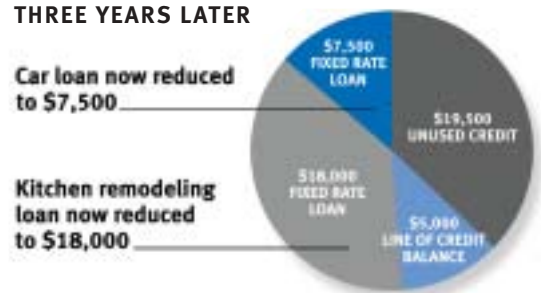
The charts below demonstrate how your Equity Maximizer Account can give you more control over your current and future financing needs.

TODAY



- ▶ Today, for example, you could take out a \$50,000 line of credit and immediately convert \$16,000 of it to a five-year fixed rate loan to buy a car.
- ▶ For a long-term project like remodeling your kitchen, you could use another \$21,000 of your credit line to pay for expenses as they occur just by writing a check. When the job is complete, you convert the \$21,000 to a 15-year fixed rate loan.
- ▶ You still have \$13,000 remaining from your original \$50,000 line of credit.

THREE YEARS LATER



- ▶ Three years from now, you've paid off \$3,000 from the \$21,000 you used for kitchen remodeling.
- ▶ The five-year \$16,000 fixed rate car loan balance has been paid down to \$7,500.
- ▶ You've used \$5,000 of your line of credit to pay for college tuition, leaving \$19,500 in available credit.

Equity Maximizer — the only home equity financing that gives you maximum control and flexibility.

Gives you control. A home equity line of credit that you access just by writing a check. Fixed rate loans when you need them without reapplying.

Unequaled flexibility. Up to three fixed rate loans at a time, all designed by you to fit your plans and budget. So you could take five years to pay for a car, seven years to pay for college tuition and 15 years for remodeling your home. You decide.

Saves you money. In most cases you pay no points, no fees and no closing costs to open your Equity Maximizer account up to \$100,000.¹ And you get the benefits of the lower interest rates and tax deductibility. Check with your tax advisor to determine how the deductibility rules affect you.

Saves you time. Get fixed rate installment loans with Equity Maximizer and Equity Maximizer 90 Accounts without having to reapply.

Only Bank of America offers you the Equity Maximizer Account — the smart way to meet your needs today and tomorrow.

For more details, stop by a Bank of America banking center or call us toll-free at 1.800.900.9000. Hearing impaired customers can call 1.800.833.2632 (TDD).

Help protect your financial goals with the Payment Protection plan.

Unforeseen circumstances may put your financial goals at risk. The optional Payment Protection plan can help pay off your outstanding balance in case of death or help make monthly payments in case of disability. Restrictions apply, so please ask for details.

CHOOSE THE HOME EQUITY OPTION THAT'S RIGHT FOR YOU

HOME EQUITY OPTION	BENEFITS	OUTSTANDING FEATURES
Equity Maximizer	A revolving line of credit up to \$1,000,000 and optional fixed rate loans in a single account. Can be used to borrow up to 80% of your home's value.	<ul style="list-style-type: none"> • Line of credit with low variable rates and convenient check access. • Up to three fixed rate installment loans at a time. No need to reapply. • Available on non-owner occupied properties.² • Amount available on the line of credit replenished as line or loans are paid down. • No interest charged until you use your account. • Your choice of lifetime rate caps of 18% or fully indexed rate plus 7.5%. No limit on rate decreases. • Detailed monthly statement of all transactions.
Equity Maximizer 90	A revolving line of credit up to \$100,000 and optional fixed rate loans in a single account. (You may be able to borrow more based on your credit qualifications.) Can be used to borrow up to 90% of your home's value.	<ul style="list-style-type: none"> • Competitive variable rates and convenient check access. • Line replenished as you pay it down. • No interest charged until you use your account. • Up to three fixed rate installment loans at a time. No need to reapply. • Detailed monthly statement of all transactions.
Equity Maximizer 100	A revolving line of credit up to \$50,000 that can be used to borrow up to 100% of your home's value.	<ul style="list-style-type: none"> • Competitive rates and convenient check access. • Line replenished as you pay it down. • No interest charged until you use your account. • Detailed monthly statement of all transactions.
Fixed Rate Home Equity Loan	Financing with the security of knowing your interest rate and monthly payment will never change. Can be used to borrow up to 80% of your home's value.	<ul style="list-style-type: none"> • “No points” option lowers initial costs. • Various repayment terms available. • Full amortization. • Same interest rate and monthly payment for life of the loan. • 1/4% interest rate reduction for automatic repayment from a Bank of America checking or regular savings account.

¹ On August 21, 2000, the APR for the standard Equity Maximizer account was 10.05%; Equity Maximizer 90 was 12.30%; Equity Maximizer 100 was 13.30%. APR can vary monthly. The Annual Fee (a Finance Charge, which is not charged the first year or in years when the average balances on your account are \$20,000 or more) was \$75 for Equity Maximizer with 18% lifetime rate cap and for Equity Maximizer 90 and 100 Accounts; \$100 for the Equity Maximizer with lifetime rate cap of fully indexed initial rate plus 7.5%. Account opening fees range from \$0 to \$1,400 depending on the line amount, lifetime rate cap chosen and line of credit chosen. Borrower is responsible for any cost to provide required lien position. The APR on the optional fixed rate loan taken August 21, 2000, was 9.75% to 12.43% depending on the amount and line of credit chosen. Finance Charge of \$75 applies when opening each fixed rate loan. Fixed rate loan option not available on Equity Maximizer 100 account. Adequate property insurance required. Early Closure Fee may apply. Rates and terms quoted above apply to California primary residence and second home properties. Rates and fees subject to change. Please ask for current information. Instant credit decision is available with complete applications on California home equity loans and Equity Maximizer accounts. Some limitations apply. Approval subject to satisfactory collateral and credit history and verification of application information. Terms and conditions are subject to change and may be withdrawn without notice.

² Some limitations apply to non-owner occupied properties.

Home Equity Loans and Lines of Credit APPLICATION PACKAGE



Checklist

Please provide us with the following information:*

About your loan request

- Completed and signed home secured loans/lines of credit application
- Servicing disclosure statement

About your income

If you are salaried:

- Copy of most recent month's paystub(s)

If you are self-employed, commissioned or receive non-salary income:

- Copies of last two years' federal income tax returns, including all support schedules, statements and K-1s filed with returns

If you own more than one rental property

- Completed real estate owned property analysis

About your property

- Completed property information form from this package
- Copy of latest property tax bill, if available
- Completed confidential statement of identification form from this package
(Note: This form is not required by the bank, but it can help speed service from the title company.)
- Copy of your flood insurance policy, including the agent's name and address
(if applicable)

If property has existing loans:

- Copy of current mortgage statement, including
outstanding balance, monthly payment and address of Lender

If property is held in leasehold:

- Copy of the recorded lease agreement

* Additional information may be required to process your loan.
Information applicable to residents of California.

Home Secured Loans/Lines of Credit Application



Your credit request (please print or type)

Total amount requested \$

Equity Maximizer® — with lifetime interest rate cap of: 18% Initial rate plus 7.5% Equity Maximizer 90 (owner-occupied property only)
 Fixed rate loan option(s): (1) \$ _____ for _____ months (2) \$ _____ for _____ months (3) \$ _____ for _____ months

Equity Maximizer 100 (owner-occupied property only)

Home equity loan for _____ months Home equity line of credit increase

Funds to be used for the purpose of (complete all applicable boxes; total(s) must equal total amount requested)

Home purchase \$ _____ Home improvement \$ _____ Refinance of an existing mortgage \$ _____

Other (describe) _____

Address of property securing loan _____

City/State _____

Note: product and pricing will be determined by state in which property securing loan is located.

Primary residence Second home Investment/rental property

If home improvement, what is the address of property where loan proceeds will be used

Primary residence Second home Investment/rental property

You may apply for an individual account regardless of your marital status. This application is:

In your name alone Joint with your spouse, or Joint with a co-applicant who is not your spouse

Homeowner's insurance co. _____

Name: _____

Policy # _____

Agent name: _____

Agent phone # _____

Applicant

First name _____ Initial _____ Last _____ Jr. Sr.

Date of birth _____ SSN _____

Marital status Married Unmarried (including single, divorced, and widowed) Separated

Current address _____

City/State/Zip _____ How long? _____ Yrs. _____ Mos.

Home phone _____ Own Rent

dependents other than self or spouse _____

Best time/place to call you Morning Afternoon Evening Home Work

Previous address* _____

City/State/Zip _____ How long? _____ Yrs. _____ Mos.

*If at current address less than three years

Applicant's employment

Current employer _____ Work phone () _____

Employer address _____

City/State/Zip _____

How long? _____ Yrs. _____ Mos.

Occupation _____ Years in field _____

Previous employer (if at current employer less than two years) _____

Previous employer address _____

City/State/Zip _____

How long? _____ Yrs. _____ Mos. _____ Occupation _____

Applicant's income

Monthly gross salary and wages \$ _____

Dividends and interest \$ _____

Other income (describe)** \$ _____

(1) Your monthly income \$ _____

**Alimony, child support or separate maintenance income need not be listed unless you wish it to be considered in evaluating this application.

Co-applicant

First name _____ Initial _____ Last _____ Jr. Sr.

Date of birth _____ SSN _____

Marital status Married Unmarried (including single, divorced, and widowed) Separated

Current address _____

City/State/Zip _____ How long? _____ Yrs. _____ Mos.

Home phone _____ Own Rent

dependents not shown at left (other than self or spouse) _____

Best time/place to call you Morning Afternoon Evening Home Work

Previous address* _____

City/State/Zip _____ How long? _____ Yrs. _____ Mos.

*If at current address less than three years

Co-applicant's employment

Current employer _____ Work phone () _____

Employer address _____

City/State/Zip _____

How long? _____ Yrs. _____ Mos.

Occupation _____ Years in field _____

Previous employer (if at current employer less than two years) _____

Previous employer address _____

City/State/Zip _____

How long? _____ Yrs. _____ Mos. _____ Occupation _____

Co-applicant's income

Monthly gross salary and wages \$ _____

Dividends and interest \$ _____

Other income (describe)** \$ _____

(2) Co-applicant's monthly income \$ _____

Total monthly income (1 plus 2) \$ _____

**Alimony, child support or separate maintenance income need not be listed unless you wish it to be considered in evaluating this application.

Automatic payment service

If you would like to repay your loan through Bank of America's Automatic Payment Service, please give the account number you want to use.

Checking Account # _____

or Savings Account # _____

Tax reporting

The bank will report tax information in the name of one borrower only. In whose name do you wish to have it reported?

Name _____

SSN _____

Your financial information

List assets and liabilities for both you and your co-applicant. If married, 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		Check if to be repaid with this loan's proceeds	
Description	Cash or market value	Creditors' names, addresses, account nos.	✓	Monthly pmt. & mos. left to pay	Unpaid balance
Checking and savings accounts		Debts (include "revolving" charge accounts)		\$ Payment / Months	\$
(Show name of institution and account number)	\$			/	
(Checking)				/	
(Checking)				/	
(Savings)				/	
(Savings)				/	
IRA/Keogh				/	
Stocks and bonds (attach schedule)				/	
Life insurance (net cash value)		Other liabilities		/	
Real estate owned:		Real estate loans: First mortgage Does this loan have a negative amortization and/or balloon payment feature? Yes <input type="checkbox"/> No <input type="checkbox"/>		/	
		Second mortgage		/	
Auto (make & year)		Auto loan		/	
Auto (make & year)		Auto loan		/	
Vested interest in retirement fund		Property taxes and hazard insurance premiums			X
Furniture and personal property		Homeowners' association dues			
Net worth of business owned		Rent or space rent			
Other asset		Alimony, child support & separate maintenance			
Total assets	\$	Total liabilities		\$	\$

Show any other name under which you have obtained credit: _____

If the answer to any of these questions is "yes" please explain circumstances on an attached sheet.

1. Have you declared bankruptcy in the last 10 years? Yes No
2. Have you had any voluntary or involuntary repossessions within the last seven years? Yes No
3. Have you had any property foreclosed upon, including deed-in-lieu, within the last seven years? Yes No
4. Do you have any unpaid debts with Bank of America, for any dollar amount, such as accounts that were settled for less than the balance owed or charged off? Yes No
5. Do you have any unpaid debts over \$1,000 with any financial institution, including retail credit cards or student loans, that were settled for less than the balance owed or charged off? Yes No

Payment protection plans

Bank of America offers payment protection plans for life and disability coverage. Coverage is optional. Your Bank of America representative will explain your coverage options, premiums, maximum age limitations and any eligibility requirements that may apply. A separate insurance application must be completed at loan closing.

Installment loan terms 2 – 300 months: Single life Single life and single disability Joint life Joint life and single disability

Equity Maximizer

Revolving line of credit portion: Single life Joint life

Fixed rate loan option(s) taken at application: Single life Single life and single disability Joint life Joint life and single disability

Loan proceeds

How do you want to receive the loan proceeds? Deposit to escrow account no.

Deposit to Bank of America Checking Savings Account no. Other (describe)

Agreement

To process this application, the bank may require an appraisal and certain property inspections, such as a pest control inspection. However, even if we do not require certain inspections or if we make the loan, it does not mean the property is free of defects or infestation. The bank assumes no liability for the accuracy of inspections and makes no warranty of any kind about the condition of the property. You may wish to consult a qualified expert regarding structural soundness, earthquake or slide hazard, toxic substances and other matters related to the condition of the property.

By signing below, you certify that all the information you've given or will give with this application is true and complete. You authorize us to verify all your statements with any source, obtain credit and employment history, and exchange information with others about your credit and account experience with us. You agree to provide additional information that we may require to process this application, including but not limited to true and complete federal income tax returns, employment verification and income verification.

You acknowledge receipt of the "Home Equity Loans and Lines of Credit – Disclosures" and "Home Equity Lines of Credit – What You Should Know."

X _____ X _____
Applicant's signature Date Co-applicant's signature Date

Information for government monitoring purposes (Complete only for home purchase, refinance of an existing mortgage or home improvement.)

The following information is requested by the federal government for certain types of loans related to a dwelling, in order to monitor this bank's compliance with equal credit opportunity fair housing and mortgage disclosure laws. You are not required to furnish this information, but are encouraged to do so. The law provides that a lender may neither discriminate on the basis of this information, nor on whether you choose to furnish it. However, if you choose not to furnish it and you have made this application in person, under federal regulations this bank is required to note race or national origin and sex on the basis of visual observation or surname. If you do not wish to furnish this information, please initial below.

Applicant: I do not wish to furnish this information (initials)
Race/National origin American Indian or Alaskan Native Asian or Pacific Islander
 Black Hispanic
 White Other (specify)
Sex Female Male

Co-applicant: I do not wish to furnish this information (initials)
Race/National origin American Indian or Alaskan Native Asian or Pacific Islander
 Black Hispanic
 White Other (specify)
Sex Female Male

Bank use only: Verification of applicant identity by:

Res. #/Mktg. Code Sales officer signature Type #
S/U # Sales officer SSN

Property Information



Applicant/Co-applicant name(s) _____

Property address _____ Unit # _____

City/State/Zip _____ Nearest cross street _____

Legal description (e.g., lot, tract) or assessor's parcel # (see current property tax bill) _____

For access arrangement (if necessary): Name _____ Telephone # (H) _____ (W) _____ Time to call _____

Balance verification on loans secured by this property

Please provide a copy of your most recent billing statement showing lender's name, loan number and balance for each loan secured by this property.

Information about loans secured by this property

First mortgage

Lienholder name	Loan number	Loan balance
Address	City/State/Zip	

Second mortgage*

Lienholder name	Loan number	Loan balance
Address	City/State/Zip	

Other*

Lienholder name	Loan number	Loan balance
Address	City/State/Zip	

*If lienholder is not Bank of America, balance must be paid off with loan proceeds

Property description

Purchase date _____ Year built _____ Single family Condo/PUD Manufactured home/lot

Purchase price \$ _____ 2 – 4 units Manufactured home Other

Description of home or 2 – 4 unit property

Home	Estimated living area (Sq. ft. heated area only)	# of bedrooms	# of full bath(s)	# of 1/2 baths
2 – 4 unit	Estimated living area (Sq. ft. total of all units)			
	Unit # 1	Sq. ft # of bedrooms	# of full bath(s)	# of 1/2 baths
	Unit # 2	Sq. ft # of bedrooms	# of full bath(s)	# of 1/2 baths
	Unit # 3	Sq. ft # of bedrooms	# of full bath(s)	# of 1/2 baths
	Unit # 4	Sq. ft # of bedrooms	# of full bath(s)	# of 1/2 baths

Complete the following for a Home or 2 – 4 Unit Property

Remodeled _____	Amenities _____	Covered Parking _____	View: <input type="checkbox"/> No <input type="checkbox"/> Yes _____ <small>(Please specify)</small>
<input type="checkbox"/> Kitchen	<input type="checkbox"/> In-ground pool	<input type="checkbox"/> None	Major improvements/additions since property was built _____
<input type="checkbox"/> Bath	<input type="checkbox"/> In-ground hot tub/spa	<input type="checkbox"/> Garage: # of cars	
<input type="checkbox"/> Completely	<input type="checkbox"/> Central air conditioning	<input type="checkbox"/> Carport: # of cars	
<input type="checkbox"/> Other <small>(Please specify)</small>	<input type="checkbox"/> Other <small>(Please specify)</small>	Converted garage? <input type="checkbox"/> Yes <input type="checkbox"/> No	Are improvements on leased land? <input type="checkbox"/> Yes (if yes, include copy of lease) <input type="checkbox"/> No

Description of manufactured home

Purchase Refinance

Is the manufactured home currently on the site? Yes No

If coach and site purchased separately: manufactured home cost \$ _____

Manufacturer _____	Model _____	Site \$ _____
	Unit 1 (SW) _____	On permanent foundation <input type="checkbox"/> Yes <input type="checkbox"/> No
	Unit 2 (DW) _____	Unit 3 (TW) _____

HUD or HCD # _____

License/decal # _____

Park name _____

Original lease term _____ Remaining term _____

Comments _____

CAP ID# _____

Confidential Statement of Identification



Bank of America does not request the following information nor require that you complete this form. However, by completing the information, you may help the title company to give you faster service. The title company uses the information when researching the property title to prevent confusion with other people having similar names. Bank of America will not use this information in making our credit decision. We will send this form directly to the title company.

Applicant/property owner

First name _____ Initial _____ Last _____ Jr. Sr.

Former name (if applicable) _____

Birthplace _____

Year of birth _____ SSN _____

I have lived in my state of residence since _____

Date married (if applicable) _____ in City _____ State _____

Residence(s) for last 10 years

Number and street _____

City/State/Zip _____ From _____ to present _____

Number and street _____

City/State/Zip _____ From _____ to _____

Number and street _____

City/State/Zip _____ From _____ to _____

Occupation(s) for last 10 years

Present occupation _____ Firm name _____

Address _____

City/State/Zip _____ # of years _____

Prior occupation _____ Firm name _____

Address _____

City/State/Zip _____ # of years _____

Prior occupation _____ Firm name _____

Address _____

City/State/Zip _____ # of years _____

Former marriage(s), if any

If no former marriages, write "None" _____

Otherwise please complete the following:

Name of applicant's former spouse _____

Deceased Divorced

When _____ Where _____

(If more space is needed, attach additional sheets)

Date _____

Home phone (_____) _____ Business phone (_____) _____

Applicant signature _____

Order # _____

Co-applicant/property owner

First name _____ Initial _____ Last _____ Jr. Sr.

Former name (if applicable) _____

Birthplace _____

Year of birth _____ SSN _____

I have lived in my state of residence since _____

Date married (if applicable) _____ in City _____ State _____

Residence(s) for last 10 years

Number and street _____

City/State/Zip _____ From _____ to present _____

Number and street _____

City/State/Zip _____ From _____ to _____

Number and street _____

City/State/Zip _____ From _____ to _____

Occupation(s) for last 10 years

Present occupation _____ Firm name _____

Address _____

City/State/Zip _____ #. of years _____

Prior occupation _____ Firm name _____

Address _____

City/State/Zip _____ # of years _____

Prior occupation _____ Firm name _____

Address _____

City/State/Zip _____ # of years _____

Former marriage(s), if any

If no former marriages, write "None" _____

Otherwise please complete the following:

Name of co-applicant's former spouse _____

Deceased Divorced

When _____ Where _____

(If more space is needed, attach additional sheets)

Date _____

Home phone (_____) _____ Business phone (_____) _____

Co-applicant signature _____

Order # _____

Equity Maximizer[®] and Home Equity Loan CHECKLIST



Please provide us with the following information:*

About your loan request

- Completed and signed home secured loans/lines of credit application
- Signed servicing disclosure statement

About your income

If you are salaried:

- Copy of most recent month's paystub(s)

If you are self-employed, commissioned or receive non-salary income:

- Copies of last two years' federal income tax returns, including all support schedules, statements and K-1s filed with returns

About your property

- Completed property information form from this package
- Copy of latest property tax bill, if available
- Completed confidential statement of identification form from this package (Note: This form is not required by the bank, but it can help speed service from the title company.)
- Copy of your flood insurance policy, including the agent's name and address (if applicable)

If property has existing loans:

- Copy of current mortgage statement, including outstanding balance, monthly payment and address of Lender

If property is held in leasehold:

- Copy of the recorded lease agreement

* Additional information may be required to process your loan.
Information applicable to residents of California.



Home Equity Lines of Credit

WHAT YOU SHOULD KNOW



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

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

If you are in the market for credit, a home equity plan may be right for you or perhaps another form of credit would be better. Before making this decision, you should weigh carefully the costs of a home equity line against the benefits. Shop for the credit terms that best meet your borrowing needs without posing undue financial risk. And, remember, failure to repay the loan could mean the loss of your home.

What is a home equity line of credit?

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

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

Many lenders set the credit limit on a home equity line by taking a percentage (usually 80 percent) of the appraised value of the home and subtracting the balance owed on the existing mortgage. For example:

Appraisal of home	\$200,000
Percentage	x 80%
Percentage of appraised value	160,000
Less mortgage debt	- 90,000
Potential credit line	\$70,000

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

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

Once approved for the home equity plan, usually you will be able to borrow up to your credit limit whenever you want. Typically, you will be able to draw on your line by using special checks.

Under some plans, borrowers can use a credit card or other means to borrow money and make purchases using the line. However, there may be limitations on how you use the line. Some plans may require you to borrow a minimum amount each time you draw on the line (for example, \$300) and to keep a minimum amount outstanding. Some lenders also may require that you take an initial advance when you first set up the line.

What should you look for when shopping for a plan?

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

Interest rate charges and plan features

Home equity plans typically involve variable interest rates rather than fixed rates. A variable rate must be based on a publicly available index (such as the prime rate published in some major daily newspapers or a U.S. Treasury bill rate); the interest rate will change, mirroring fluctuations in the index. To figure the interest rate that you will pay, most lenders add a margin, such as 3.5 percentage points, to the index value. Because the cost of borrowing is tied directly to the index rate, it is important to find out what index and margin each lender uses, how often the index changes, and how high it has risen in the past.

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

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

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

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

Costs to obtain a home equity line

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

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

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

How will you repay your home equity plan?

Before entering into a plan, consider how you will pay back any money you might borrow. Some plans set minimum payments that cover a portion of the principal (the amount you borrow) plus accrued interest. But, unlike the typical installment loan, the portion that goes toward principal may not be enough to repay the debt by the end of the term. Other plans may allow payments of interest alone during the life of the plan, which means that you pay nothing toward the principal. If you borrow \$10,000, you will owe that entire sum when the plan ends.

Regardless of the minimum payment required, you can pay more than the minimum and many lenders may give you a choice of payment options. Consumers often will choose to pay down the principal regularly as they do with other loans. For example, if you use your line to buy a car, you may want to pay it off as you would a typical car loan.

Whatever your payment arrangements during the life of the plan — whether you pay some, a little, or none of the principal amount of the loan — when the plan ends you may have to pay the entire balance owed, all at once. You must be prepared to make this balloon payment by refinancing it with the lender, by obtaining a loan from another lender, or by some other means. If you are unable to make the balloon payment, you could lose your home.

With a variable rate, your monthly payments may change. Assume, for example, that you borrow \$10,000 under a plan that calls for interest-only payments. At a 10 percent interest rate, your initial payments would be \$83 monthly. If the rate should rise over time to 15 percent, your payments will increase to \$125 per month.

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

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

Comparing a line of credit and a traditional second mortgage loan

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

In deciding which type of loan best suits your needs, consider the costs under the two alternatives. Look at the APR and other charges. You cannot, however, simply compare the APR for a traditional second mortgage loan with the APR for a home equity line because the APRs are figured differently.

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

Disclosure from lenders

The Truth in Lending Act requires lenders to disclose the important terms and costs of their home equity plans, including the APR, miscellaneous charges, the payment terms, and information about any variable rate feature. If you have not received this information from the lender, any application fees you have been charged must be refunded. You usually get these disclosures when you receive an application form, and you should get additional disclosures before the plan is opened. If any term has changed before the plan is opened (other than a variable rate feature), the lender must return all fees if you decide not to enter into the plan because of the changed term.

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

Where to go for help

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

Office of the Comptroller of the Currency, Customer Assistance Group, 1301 McKinney Street, Suite 3710, Houston, TX 77010, Telephone: 800.613.6743

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Checklist

Ask your lender to help fill out this checklist.

	Loan A	Loan B
	\$ _____	\$ _____

Basic features

Fixed annual percentage rate	_____	_____
Variable annual percentage rate	_____	_____
Index used and current value	_____	_____
Amount of margin	_____	_____
Current rate	_____	_____
Frequency of rate adjustments	_____	_____
Amount/length of discount (if any)	_____	_____
Interest rate caps	_____	_____

Length of plan

Draw period	_____	_____
Repayment period	_____	_____

Initial fees

Appraisal fee	_____	_____
Closing costs	_____	_____
Application fee	_____	_____

Repayment terms

During the draw period

Interest and principal payments	_____	_____
Interest only payments	_____	_____
Fully amortizing payments	_____	_____

When the draw period ends

Balloon payment	_____	_____
Renewal available	_____	_____
Refinancing of balance by lender	_____	_____