PRECOMPUTED CONSUMER NOTES

Multistate Completion Guide
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INTRODUCTION

USE OF THIS GUIDE. Use of this guide will constitute an express acceptance of all the terms set forth in the "Introduction," "Warranties and Limitations" and "Other Important Terms for the Use of this Guide" sections of this guide.

Forms and Purpose. This guide is intended to assist lenders who have purchased any of the following copyrighted Wolters Kluwer Financial Services precomputed forms:

NDaS - PAC - [state abbreviation]

State law varies as to what prepayment rebate methods are permitted on precomputed loans. Additionally, the federal Housing and Community Development Act of 1992 requires you to use a rebate method at least as favorable to the borrower as the actuarial method, if the term of the transaction exceeds 61 months. In developing the state specific versions of these documents, we have accommodated both the state law and the federal law. Many states use a rebate method called “the rule of 78’s” or something similar.

The actuarial rebate method essentially replicates what the payoff amount of the loan would be had it been a simple interest loan (with the assumption that all payments were made when scheduled). The rule of 78’s rebate method attributes more of the interest earned to the early portion of the loan and thus will usually generate a larger payoff amount than either comparable simple interest or precomputed loans with an actuarial rebate (again assuming that payments are made when scheduled). This error factor increases the longer the amortization period for the loan is and/or the higher interest rate is that is used to precompute the loan. This error factor can be significant and has been interpreted by a few courts to violate state usury laws.

If state law specifically permits usage of the rule of 78’s we have included that rebate method for those who wish to use it.

Caution: The use of the rule of 78’s rebate has in recent years generated litigation against lenders and many state legislatures have either considered or passed legislation which prohibits its use. The fact that Wolters Kluwer Financial Services offers certain forms containing this rebate method should not be taken as an assurance of its validity. You should use this method only upon the written advice of your legal counsel.

Usage. The form listed above should only be used for the purpose for which it was intended.

Please note that the form has been designed for use in closed end direct loans by financial institutions to consumers that are subject to federal Truth in Lending (Regulation Z) and state enacted consumer laws and regulations.

The form listed above is intended for loans which are either unsecured or secured by most forms of personal property. This form should not be used for loans secured by real estate or personal property dwellings (manufactured homes, boats, RVs, etc.).
CAUTION: THIS FORM IS NOT DESIGNED FOR AND SHOULD NOT BE USED IN THE FOLLOWING WAYS:

- open-end credit
- multiple advance lending
- commercial or agricultural lending (i.e., non-consumer)
- loans which require credit insurance (i.e., life, accident)
- loans where mortgage insurance (PMI) is charged, collected, etc.
- assumable loans
- transactions subject to retail installment sales laws
- loans secured by real property or personal property dwellings (The term “dwelling” includes mobile homes, boats and trailers if they are, in fact, used as residences. Commentary - Reg. 226.2(19).)
- loans for the purchase of property (real or personal) where you are also the seller of the property (e.g., a loan for someone to buy property that you repossessed).

**Format.** In this guide, we attempt to answer the most common questions and problems you might confront in completing the form, with special emphasis on the disclosures required by the Truth in Lending regulations. This guide is not intended to address state specific laws.

The pages of a sample NDaS-PAC note are reduced and copied at the beginning of this guide. This form is used only for illustrative purposes - the precomputed forms for your state may have a slightly different format (for example, the types of charges provided for in the note may vary from state to state).

The explanatory text begins with the simple statement of what would commonly be filled in on the line being discussed. In many cases, this simple explanation is followed by a more detailed explanation, with citations to the Truth in Lending regulation and cross-references to other portions of the form which need to be considered with the item under discussion.
GLOSSARY

Throughout the text of this Introduction, the Warranties and Limitations, and the guide itself, we use certain abbreviations and terms:

The Term: Means:

We Wolters Kluwer Financial Services
You The Lender.
Reg. 226.18(a) Section 18(a) of the Federal Reserve Board's Regulation Z (Truth in Lending) which may be found at 12 Code of Federal Regulations 226.18(a).
Commentary The Official Staff Commentary on Regulation Z (Truth in Lending). The Commentary is arranged and numbered in sequence to the Regulation sections to which the comment relates. In this guide, we normally use the Regulation number preceded or followed by the word “Commentary.” This means you should read the Commentary to the Regulatory section cited. We do not use the numbering sequence found in the Commentary, which occasionally varies (by the addition of more numbers) from the citations to the Regulation.
U.C.C. § 9-204 The Uniform Commercial Code Article 9, Section 204.
FTC Federal Trade Commission.
A-1 The line on our form which is labeled (for purposes of this guide) Number A-1.
APR Annual Percentage Rate.
Finance Charge Any charge which is a cost of credit that is not otherwise excluded by Regulation Z. It does not include any charge that would be payable in a comparable cash transaction.
Additional Finance Charge Any charge that is a finance charge other than precomputed interest. Examples include origination fees, documentation fees, loan fees, and the like.
Prepaid Finance Charge Any finance charge paid separately in cash or by check before or at the consummation of a loan, or withheld from the proceeds of the loan at anytime.
Residential Mortgage Transaction This term is used in this guide as it is defined in Regulation Z. This means a loan where a lien is taken against the consumer’s principal dwelling to finance the acquisition or initial construction of that dwelling.
**Form Specific.** This guide is written solely for use with our precomputed forms. The existence of varying state laws means that some of the terms discussed may not be applicable in your state. The explanatory text will usually point this out where it applies. Additionally, there may be provisions in the note developed for your state which are not discussed in this guide. Feel free to call us at our toll free number (1-800-397-2341) if you need information about specific sections. This guide is not intended to be used with any form other than a precomputed note.

**Private Attorneys.** We, in developing this guide, the forms to which it pertains, and all of our other technical forms, necessarily have to interpret many statutes, cases and regulations.

We strongly encourage you to seek the advice of your own attorney concerning the utility and legality of this guide, the forms to which it pertains, and all of our other technical forms. One of the reasons we have included legal citations in this guide is to assist you and your counsel in your review of our form and this guide. If you or your counsel’s interpretations are contrary to ours, you should, of course, follow your own interpretations in using and completing the form.

**Comments.** We encourage you to comment on and criticize this guide, the forms to which it pertains, and all of our other forms. We make every effort to keep up with statutes, case law and lending practices, but the lending industry is constantly evolving and our effort is often assisted by our customers. We especially appreciate copies of any statutes or cases which you might feel are pertinent. Please submit your comments in writing either to your Sales Representative or to:

Compliance Services  
Wolters Kluwer Financial Services  
6815 Saukview Drive  
P.O. Box 1457  
St. Cloud, MN 56302-1457
Warranties and Limitations

Warranties and Limitations for this Guide

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No action, regardless of form, arising out of the providing, selling, licensing or using of this guide, may be brought by either party more than one (1) year after the cause of action has occurred, except that this limitation will not apply to an action for non-payment brought by WKFS.

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Warranties and Limitations for the Form(s) That Are the Subject of this Guide

The form(s) that are the subject of this guide are covered by an express warranty as follows:

- **Preprinted Form(s).** If you received the form(s) in preprinted format, they are covered by the Compliance Warranty for Lending, Deposit, and Retirement Plan Documents, as it may be updated or amended from time to time. The current Compliance Warranty is located on WKFS's internet website: [www.wolterskluwerfs.com](http://www.wolterskluwerfs.com). Refer to the website for terms of the warranty.

- **WKFS Software.** If you produce the form(s) using WKFS document generating software, they are covered by the express warranty contained in your WKFS software license agreement. Refer to your license agreement for terms of the warranty.

- **Electronic Format.** If you received the form(s) in an electronic format ("EForms" or other electronic images) through a license with WKFS or with a third party provider, they are covered by the express warranty contained in your license agreement with WKFS or the third party provider. Refer to your license agreement for terms of the warranty.

Other Important Terms for the Use of this Guide

**APPLICABLE LAW.**

The terms under which this guide is provided, sold, licensed or used will be governed by the laws of the State of Minnesota without regard to its conflict of laws provisions or those of any other state. Any action relating in any way to this guide will be exclusively venued in a court of competent jurisdiction in the State of Minnesota.

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Wolters Kluwer Financial Services
North America Law Department
6815 Saukview Drive
P.O. Box 1457
St. Cloud, Minnesota 56302-1457

Telephone: 1-800-397-2341
**Truth-in-Lending Disclosures**

<table>
<thead>
<tr>
<th>Annual Percentage Rate</th>
<th>Finance Charge</th>
<th>Amount Financed</th>
<th>Total of Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>The cost of my credit as a yearly rate.</td>
<td>The dollar amount the credit will cost me.</td>
<td>The amount of credit provided to me or on my behalf</td>
<td>The amount I will have paid when I have made all scheduled payments.</td>
</tr>
<tr>
<td>B-1</td>
<td>$</td>
<td>B-3</td>
<td>$</td>
</tr>
</tbody>
</table>

My Payment Schedule Will Be:

<table>
<thead>
<tr>
<th>Payments</th>
<th>Amount of Payments</th>
<th>When Payments Are Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>S</td>
<td>B-6</td>
<td>D-5</td>
</tr>
<tr>
<td>S</td>
<td></td>
<td></td>
</tr>
<tr>
<td>S</td>
<td></td>
<td></td>
</tr>
<tr>
<td>S</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

B-7 Propayment. If I pay off this note early, I may be entitled to a refund of part of the finance charge.

B-9 Late Charge. If a payment is late (more than B-8 days after due) I will be charged

Security. I am giving a security interest in:

- the goods or property being purchased. B-9
- collateral securing other loans with you may also secure this loan. B-10
- brief description of other property. B-11

Filing Fees, $ B-12

Non-Suing Insurance, $ B-13

B-14 Required Deposit. The annual percentage rate does not take into account my required deposit

B-15 Assumption. Someone buying the property securing this obligation cannot assume the remainder of the obligation on the original terms. B-15

Contract Documents. I can see my contract documents for any additional information about nonpayment, default, any required repayment before the scheduled date, and prepayment refunds and penalties.

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**Promissory Note**

Promise to Pay. For value received, I promise to pay to you, or your order, at your address above, the sum of $ B-16. This is a precomputed note which means that the sum I have agreed to pay already includes the finance charges payable hereafter to maturity. I agree to pay late charges in accordance with the provisions shown in the Truth-in-Lending Disclosures. The purpose of this loan is C-2.

Payment. I will pay this note as follows:

- In C-3 installments of $ B-17 each, beginning C-4 and continuing on the same day of each C-5 month C-6 thereafter until paid in full.
- C-7

Post-Maturity Interest. Interest will accrue at the rate of C-8 % per year on the balance of this note not paid at maturity, including maturity by acceleration. Interest will accrue on a C-9 basis.

C-10 Additional Finance Charge. C-11 also agree to pay a fee of $ C-12. This fee is for C-13 and will be refundable upon prepayment. This fee is not earned with cash. C-14 paid pro rata C-10 over the term of the loan and will be included in the amount of the loan. C-15 (The sum above already includes this fee unless it is paid in cash.)

C-16 Minimum Interest Charge. I agree to pay $ C-17, instead of interest if at the time I pay off this note you have not earned enough interest in interest.

C-18 Returned Payment Fee. I agree to pay a service charge of $ C-19 for each payment (check or automatic payment) returned unpaid.

C-20 Other Terms. C-21

---

**Securities Agreement**

Security. To secure the obligations of this Loan Agreement, I give you a security interest in the Property described below:

---

**NDA-PAC-XX**

---

**Note, Disclosure and Security Agreement**

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**Form PM-PRECOMPUTED 1/2012**

---

**Wolters Kluwer**

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**Financial Services**
**Additional Terms of the Promissory Note**

**Definitions.** As used in this Loan Agreement, each of the following terms shall have the meanings set forth in this Promissory Note, Security Agreement, and Truth in Lending Disclosures, and any and all extensions, renewals, modifications, assignments, or supplements of this Loan Agreement. "Loans" refers to this Note; "Amount" means the total principal amount of all Loans under this Note; "Promissory Note" refers to the note evidencing the indebtedness of the Borrower to the Lender, and the amount then due and owing under such Note; "Promissory Note Agreement" refers to this Loan Agreement, and all amendments, renewals, extensions, supplements, and modifications of this Loan Agreement, and any and all Loans made or evidenced by this Loan Agreement; "Receivables" refers to all amounts owed to the Borrower by any third parties; "Receivable" means any Receivable acquired by the Borrower under this Note; "Security Agreement" refers to the security agreement evidencing the Lender’s interest in all of Borrower’s property; "Loan" refers to this Note; "Debtor" refers to Borrower; "Debtor" refers to the Borrower; "Loan Agreement" refers to this Loan Agreement, and all amendments, renewals, extensions, supplements, and modifications of this Loan Agreement.

**Additional Terms of the Security Agreement**

**General Provisions.** This Loan Agreement is governed by the laws of South Dakota, the United States of America, and to the extent not prohibited by such laws, the laws of the jurisdiction where the Property is located. If two or more Borrowers sign this Loan Agreement, we are all jointly and severally liable for the obligations of Borrower under this Loan Agreement. You represent that you are authorized to bind Borrower. You agree that all of Borrower's interests in the Property shall be deemed to be a single property interest and shall be subject to all covenants, restrictions, and rights contained in this Loan Agreement. The rights, covenants, and restrictions contained in this Loan Agreement shall be binding on Borrower, and all successors and assigns of Borrower. In the event of any default under this Loan Agreement, all of Borrower’s property shall be subject to the terms of this Loan Agreement. The provisions contained in this Loan Agreement are in addition to, and shall not be deemed to modify, any other provision of any other document. All provisions of this Loan Agreement are severable. In the event of any conflict between the provisions of this Loan Agreement and any other document, the provisions of this Loan Agreement shall control.

**Property.** Any collateral described in this Loan Agreement in which Borrower has an interest shall consist of the Property and any additions or extensions to the Property. Any collateral described in this Loan Agreement in which Borrower has an interest shall consist of any and all improvements to the Property, whether permanent or temporary, which may be erected, constructed, or otherwise acquired, and all additions, extensions, or encroachments on the Property. Any collateral described in this Loan Agreement in which Borrower has an interest shall consist of all buildings, structures, fixtures, machinery, equipment, and all other property and personal property, tangible or intangible, which may be erected, constructed, or otherwise acquired, and all additions, extensions, or encroachments on the Property. Any collateral described in this Loan Agreement in which Borrower has an interest shall consist of all future production, crops, timber, and mineral rights, and all other personal property, tangible or intangible, which may be acquired, owned, or held by Borrower in any manner, and all interest in any and all personal property, tangible or intangible, which may be acquired, owned, or held by Borrower in any manner. Any collateral described in this Loan Agreement in which Borrower has an interest shall consist of all crop payments, mineral rights, and any other property, tangible or intangible, which may be acquired, owned, or held by Borrower in any manner. Any collateral described in this Loan Agreement in which Borrower has an interest shall consist of all assets, personal or real, of Borrower, and all other personal property, tangible or intangible, which may be acquired, owned, or held by Borrower in any manner. Any collateral described in this Loan Agreement in which Borrower has an interest shall consist of all assets, personal or real, of Borrower, and all other personal property, tangible or intangible, which may be acquired, owned, or held by Borrower in any manner.
I am required to maintain insurance on the Property to protect your interest. If I fail to maintain the required insurance, or fail to provide you with evidence of insurance, I understand and agree to the following:

- You may (not are not required to) place insurance on the Property to protect your interest, which will not cover my equity in the Property.
- The insurance you provide may be written by a company other than one I would choose and may be written at a higher rate than I could obtain if I purchased the insurance.
- I will pay for the costs of any Property insurance you provide.

Authority to Perform. I authorize you to do anything you deem reasonably necessary to protect the Property and your security interest in the Property. If I fail to perform any of my duties under this Loan Agreement, you are authorized, after providing me with any required notice and opportunity to perform, to perform the duties or causes them to be performed and add the costs of performance to the Secured Debts. These authorizations include, but are not limited to, permission to pay for the repair, maintenance, and preservation of the Property and taking any action to obtain or preserve the benefits and rights of the Property. Your authority to perform for me will not create an obligation to perform and your failure to perform will not preclude you from exercising any other rights under the law or this Security Agreement. If you come into actual or constructive possession of the Property, you will preserve and protect the Property to the extent required by law. Your duty of care with respect to the Property will be satisfied if you exercise reasonable care in the safeguarding of the Property or in the selection of a third party in possession of the Property.

Third Party Agreement
For the purposes of the provisions within this enclosure, I, me or my means the person signing below and you means the Lender identified in this Loan Agreement.
I agree to give you a security interest in the Property that is described in the Security Agreement section. I agree to the terms of this Loan Agreement, but I am in no way personally liable for payment of the debt. This means that if the Borrower defaults, my interest in the secured Property may be subject to the Borrower’s debt. I agree that you may, without releasing me or the Property from this Third Party Agreement and without notice or demand upon me, extend credit to any Borrower, renew or change this Loan Agreement one or more times and for any term, or fail to perfect your security interest in, impair, or release any security (including guarantees) for the obligations of any Borrower.
I have received a completed copy of this Loan Agreement.
X __________________________ (Seal)

Attachment: FTC "Preservation of Consumer Claims and Defenses" Notice if Applicable.

Insurance
Credit Insurance. Credit life, credit accident and sickness (disability), and any other insurance coverage quoted below, are not required to obtain credit and you will not provide them unless I sign and agree to pay the additional premium. If you want such insurance, you will obtain it for me (at a premium for coverage). You are quoting below ONLY the coverages I have chosen to purchase.

<table>
<thead>
<tr>
<th>Coverage</th>
<th>Premium</th>
<th>Term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single</td>
<td>$G-2</td>
<td>G-3</td>
</tr>
<tr>
<td>Joint</td>
<td></td>
<td></td>
</tr>
<tr>
<td>None</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Single</td>
<td>$G-6</td>
<td>G-8</td>
</tr>
<tr>
<td>Joint</td>
<td></td>
<td></td>
</tr>
<tr>
<td>None</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Signature: My signature below means I want (only) the insurance coverage(s) quoted above. If "None" is checked, I have declined the coverage you offered.
X __________________________ (DOB: G-12)
X __________________________ (DOB: G-13)
X __________________________ (DOB: G-14)

NOTICE TO COSIGNER
You (the cosigner) are being asked to guarantee this debt. Think carefully before you do. If the borrower doesn’t pay the debt, you will have to. Be sure you can afford to pay if you have to, and that you want to accept this responsibility.
You may have to pay up to the full amount of the debt if the borrower does not pay. You may also have to pay late fees or collection costs, which increase this amount.
The creditor can collect this debt from you without first trying to collect from the Borrower. The creditor can use the same collection methods against you that can be used against the borrower, such as seizing your wages, garnishing your wages, etc. If this debt is ever in default, that fact may become part of your credit record.
This notice is not the contract that makes you liable for the debt.

Signatures
By signing under seal, I agree to the terms contained in this Loan Agreement. I also acknowledge receipt of a copy of this Loan Agreement on today’s date.

Cosigners. See Notice to Cosigner above before signing.
X __________________________ (Seal)
X __________________________ (Seal)
X __________________________ (Seal)

(Optional)
Signed: ___________ For Lender
Title: ___________
PART A - LENDER/BORROWER/LOAN INFORMATION

A-1 Fill in the name of the lender who is making the disclosures and the address where payments are to be made.

MISCELLANEOUS. The identity of the creditor making the disclosures must be disclosed. Reg. 226.18(a). The identity of the creditor may be made separately from other required Truth-in-Lending disclosures. Reg. 226.17(a)(1) (footnote 38). The lender’s identity is the only required Truth-in-Lending disclosure that may be more conspicuous than the words ANNUAL PERCENTAGE RATE and FINANCE CHARGE. Reg. 226.17(a)(2).

A-2 Fill in the name and address of the borrower. This should be the same address you intend to use for any notice of default or notice of sale of the collateral.

OTHER PARTIES. See F-1 for space to type in the name of a person who grants the security interest but does not agree to pay the note.

A-3 Check this box if you have an addendum (e.g., SIG-ADD-CONS) that lists additional borrowers, their addresses, and their signatures.

A-4 Fill in your loan number.

A-5 Fill in the date that you are making the disclosures.

NORMALLY. In almost all cases, the date you make the disclosures will be the same as the date your customer signs the note and the date the loan proceeds are disbursed.

A-6 Fill in the date of the last scheduled payment.

A-7 This designation is for your internal reference. You may fill in what will best serve your purposes. The term “Loan Amount” is not defined in the note itself. Presumably it will be either the Amount Financed or the Total of Payments, as you prefer.

A-8 Fill in the loan number of the previous loan if this note is a renewal. This helps to provide a good audit trail.

A-9 Space has been left for you to include other information, such as an additional loan number if this is a renewal of more than one loan.

PART B - “FEDERAL BOX” DISCLOSURE

B-1 Fill in the ANNUAL PERCENTAGE RATE you calculate for this loan. Regulation 226.17(c) permits certain disclosures to be made using the designation “estimate.” See discussion at line B-5.

TOLERANCE. The tolerance for regular transactions is .125% (1/8%) either way. For example, if the disclosed APR is 15.20% and the actual APR is 15.324%, the disclosure is within acceptable limits. Reg. 226.22(a)(2). The tolerance for “irregular” transactions is .25% (1/4%) either way. An irregular transaction is defined in Reg. 226.22(a)(3)(footnote 46).
CONSPICUOUS. See Reg. 226.17(a)(2) for requirement that words Annual Percentage Rate and Finance Charge be more conspicuous than other disclosures. See the Commentary to this section for guidelines on compliance with this rule.

See Reg. 226.22(c) for optional rule on one APR calculation when all transactions within a class can be disclosed with same APR.

See Appendix J to Truth in Lending Regulation for actuarial or U.S. Rule methods of calculation.

See Reg. 226.22(b) for exemption allowed for appropriate use of Federal Reserve’s APR tables.

See 15 U.S.C. 130 for liability exposure for inaccurate or unmade APR disclosures.

B-2 Fill in the total Finance Charge.

See B-5 for a discussion of the use of estimates and additional descriptive phrases in association with this disclosure.

OTHER CHARGES. Remember to include prepaid finance charges and additional finance charges, if any.

TOLERANCE. The tolerance is $5.00 on transactions with an Amount Financed of $1,000.00 or less, and $10.00 on transactions with an Amount Financed of more than $1,000.00. Reg. 226.18(d)(footnote 41).

Caution: This form is not designed for, and should not be used on, loans that require credit insurance. Premiums for required credit insurance are a finance charge.

See Part G and Reg. 226.4(d) for conditions which must be met to exclude credit insurance costs from the finance charge.

SECURITY INTEREST CHARGES. You must disclose the cost of perfecting a security interest in order to exclude such from the finance charge. See B-12.

B-3 Fill in the Amount Financed.

See D-1 through D-8 concerning the Itemization of Amount Financed, especially D-7 for treatment of prepaid finance charges.

See the discussion under line C-1 regarding the potential for the Amount Financed to be different from the principal amount of the note.

B-4 Fill in the Total of Payments.

See lines B-1 and B-2 for the basis of this disclosure, as well as the use of estimates and descriptive phrases.

TOLERANCE. There is no mention of a tolerance for this disclosure. The “Total of Payments” is defined as the sum of the payment amounts disclosed pursuant to Reg. 226.18(g) in the spaces labeled B-6 on this form.
The “amounts” of the payments you will disclose on line (B-6) will include the finance charge attributable to the payment as well as the portion attributable to the repayment of the Amount Financed.

B-5 If any information necessary for an accurate disclosure is unknown, you must make the disclosure based on the best information available and label such a disclosure as an estimate (“e”). It is unlikely, on this form at least, that you would ever estimate any disclosure. (See Reg. 226.17(c)(2) and Commentary for the standard on what can legitimately be estimated.)

B-6 These columns and spaces are to be used for disclosing the number, amounts, and due dates of payments. Reg. 226.18(g).

EXAMPLE:

<table>
<thead>
<tr>
<th>Number of Payments</th>
<th>Amount of Payments</th>
<th>When Payments are Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>36</td>
<td>$247.50</td>
<td>Monthly beginning</td>
</tr>
<tr>
<td></td>
<td></td>
<td>July 15, 2002</td>
</tr>
</tbody>
</table>

In the unlikely event that you include a demand feature on this precomputed note form, remember to type in:

This note has a demand feature.

You are permitted, but not required, to include in the amount of each payment disclosed here any additional sums required to be paid with each payment of principal and interest, but which are neither part of the Amount Financed or the finance charge. Commentary - Reg. 226.18(g). If you add such amounts to the payment amounts disclosed here, of course, the “Total of Payments” that you disclose on line B-4 will also reflect these escrow payments.

IN ADDITION. The comments made under Annual Percentage Rate B-1 and finance charge B-2 regarding the use of estimates and disclosures based on the terms at the consummation of the loan also apply to the payment schedule B-6.

B-7 On every precomputed loan, Truth in Lending requires a disclosure of whether there will be a refund of part of the finance charge upon prepayment. If any part of the finance charge is refundable, regardless of what method is used to calculate the rebate, then disclosure should indicate that there “may” be a refund. Where the disclosed Finance Charge B-2 is the same amount as the minimum finance charge C-12, then the disclosure must indicate that there “will not” be a refund of part of the Finance Charge. Commentary - Reg. 226.18(k)(2).

B-8 If you contract for a late fee, check the box at the beginning of line B-8. Remember that a late fee on a single pay loan or a loan payable on demand with no periodic payments need not be disclosed here. Reg 226.18(1) and Commentary, and the Commentary at 226.17(a)(1). Note: Not all states allow for a late fee.

You must fill in the number of days in the “grace period” and fill in a description of how the late fee is calculated.
B-9 Check this box if this loan is being secured by the goods or property being purchased with the proceeds of the loan.

FURTHER DESCRIPTION. You are not required (here) to further describe purchase money collateral if you do not want to. However, you may do so if you choose in the space provided in area B-11. Reg. 226.18(m) and Commentary.

DISTINGUISH. Of course, you must distinguish between the description necessary for Truth in Lending and the description you should use in your security agreement. While you only need to check this box to describe purchase money collateral for Truth in Lending purposes, you will need to describe the collateral with greater specificity in the security agreement.

B-10 Check this box if collateral securing pre-existing credit also secures this loan.

If you have a pre-existing security agreement which secures future debts (including the debt for which you are making the disclosures on this form) you may check this box and you need not list the collateral from that pre-existing security agreement. Commentary - Reg. 226.18(m)(5). You may do so, however, if you wish.

Caution: This form should not be used for loans secured by real property or personal property dwellings.

B-11 Check this box and describe in the space that follows any “non-purchase money” collateral securing this loan by “item or type.”

See Reg. 226.2(a)(25) for the definition of a security interest.
See Reg. 226.18(m) for the requirement of disclosure of the security.

CROSS-COLLATERAL. See B-10 for the abbreviated disclosure which may be used where this loan is secured by collateral which also secures pre-existing credit.

If you check box B-9 (purchase money collateral) but you also want to describe the collateral, we suggest you do so on the line immediately following line B-9, without checking the box B-11.

MIXED SECURITY. If you check box B-9, and you also take a security interest in non-purchase money collateral, the latter must be described in the space provided in B-11.

B-12 On this line, fill in the total taxes and fees prescribed by law that you actually will pay to public officials for determining the existence of, or for perfecting, releasing or satisfying a security interest. Reg. 226.4(e)(1).

ITEMIZATION. The regulation uses the word “itemized.” Reg. 226.4(e)(1). The Commentary to this section permits you to aggregate the cost of these items on one line.

DISTINGUISH. Remember to distinguish this line B-12 from line D-5. You will fill in line D-5 with the aggregate amount paid to public officials only if (and to the extent) you finance these charges. You should fill in line B-12 every time you collect these fees from your borrower, whether paid in cash or financed.
NOTARY FEES. See Commentary - Reg. 226.4(e) for the rule on notarial fees. Notary fees, except in a transaction secured by real estate or a “residential mortgage” must meet the tests in this Commentary to be excluded from the finance charge.

B-13 If you charge your customer a premium for “non-filing” insurance, a portion of the premium may be excluded from the finance charge if you list the excludable portion of this premium on this line.

SINGLE INTEREST INSURANCE. Normally, “non-filing insurance” is sold as part of a lender’s “single interest” insurance policy. The insurance company should allocate the total premium for single interest insurance to the various components of the policy. The cost of some components (depending upon the type of policy) may have to be included in the finance charge. Commentary - Reg. 226.4(d)(10).

AMOUNT EXCLUDABLE. The amount of the premium for non-filing insurance that may be excluded from the finance charge is limited to the aggregate fees necessary to perfect the security interest. The amount of the premium in excess of the actual fees must be treated as a finance charge. Commentary - Reg. 226.4(e)(2).

SELF INSURANCE. To exclude any portion of a premium for non-filing insurance, the lender must actually purchase the insurance. If the lender merely charges the customer a fee but does not purchase a policy, the entire fee is to be treated as a finance charge. Commentary - Reg. 226.4(e)(4).

B-14 This form includes the disclosure required by Regulation Z for required deposits. Generally this disclosure is not needed even if you require a deposit because of the extensive exceptions to the rule. The required deposit disclosure is not needed if:

1. you pay interest of at least 5 percent per year on the deposit;
2. the deposit is an escrow account for taxes, insurance or repairs;
3. the deposit is payments under a Morris plan.

B-15 While the assumption disclosure is required for a “residential mortgage transaction,” it is also allowed, but not required for transactions other than “residential mortgage transactions.” Commentary - Reg. 226.17(a)(1)(5) and Reg. 226.18(q).

PART C - PROMISSORY NOTE

C-1 Fill in the amount that your borrower agrees to pay back. Since this is a precomputed note it should be the same as the Total of Payments. See B-4 and B-6.

C-2 Fill in a simple statement of the (Borrower’s) purpose for making the loan.

You must keep a record of the “purpose” of any loan over $10,000.00 under the Financial Recordkeeping and Reporting of Currency in Foreign Transactions Regulations, 31 C.F.R. § 103.33 and § 103.38.

The “purpose of loan” statement may be useful in proving your right to a grace period in perfecting a purchase money loan under U.C.C. § 9-301.
C-3   Check this box if repayment will be in equal installments. Fill in the blanks with the appropriate information about the payments.

EXAMPLE: In 36 installments of $250.00 each, beginning March 15, 2003 and continuing on the same day of each month thereafter until paid in full.

C-4   You may use this space to fill in a payment schedule that cannot be accommodated on line C-3.

**Caution:** Be certain that whatever payment method you use at C-4 is permitted by state law.

C-5   Fill in the simple interest rate that will apply to the unpaid balance of the note after maturity. Normally, this will be the same as the simple interest rate (or equivalent) that was used to precompute the interest, although some states permit a higher rate. Note: Some states do not allow different post-maturity interest rates.

C-6   Complete this section if you are charging an additional finance charge. Where permitted by law, we have provided that this fee is nonrefundable. Some states do not permit additional finance charges and in that case we have left this section off the form. Some states that do allow additional finance charges may not permit them on all types of loans. If allowed, state law typically limits the amount of such fees. The amount of the charge must be included in the amount shown in the finance charge disclosed (See B-2). This will have the effect of increasing the Annual Percentage Rate B-1.

C-9   This option should be checked if the fee is paid in cash or by check before or at the closing of the loan. A charge collected in this manner is a prepaid finance charge for purposes of the itemization of amount financed.

C-10  This option should be checked if the fee is to be collected pro rata over the term of the loan. For example, in a 20 installment loan transaction with a $20.00 loan fee, $1.00 will be collected with each installment.

C-11  Check this box if the amount of the loan fee will be taken out of the loan proceeds. Checking this box means that interest will be charged on the additional fee.

**Note:** Additional finance charges that are “paid in cash” or “withheld from proceeds” are also “prepaid finance charges” as that term is defined by the regulation. Reg. 226.2(a)(23) and Commentary. The fact that an additional finance charge is also a prepaid finance charge makes its effect on the Annual Percentage Rate B-1 even greater.

C-12  If you wish to contract for a minimum interest charge (some state laws label this a “minimum finance charge”), check the box and fill in the amount of the charge. Note: Some states do not allow minimum interest or minimum finance charges.

C-13  Check this box, and fill in the dollar amount of the fee for a returned payment fee. Note: Some states do not allow for a returned payment fee so be sure to check with your state law.
C-14 This area is for you to fill out additional terms of this agreement. You are responsible for any text entered in this area.

PART D - ITEMIZATION OF AMOUNT FINANCED

D-1 Fill in the amount of the loan proceeds paid to the borrower directly or, if applicable, the amount deposited to his asset account. Commentary - Reg. 226.18(c)(1)(i).

D-2 Fill in the amount of this loan (if any) which has been applied toward the payment of a previous loan for you.

If you actually pay a portion of the loan proceeds to a third party creditor, that third party creditor should be specifically listed on line D-6. Reg. 226.18(c)(iii).

If more than one loan is paid off with you, you may aggregate these loan pay-offs on this line.

D-3 If you are permitted by law to collect a prepaid finance charge, fill in the amount of any prepaid finance charge which you are financing for the borrower by increasing the face amount of the note C-11. Describe the charge on the blank line to the left.

Example:

To Lender $20.00

If the borrower is paying more than one type of charge to you, for example, an origination fee and an administrative fee which are both being financed, you should aggregate these charges and fill in the total amount on line D-3.

The charges being paid by the borrower may constitute finance charges for purposes of Regulation Z. See Reg. 226.4. Any finance charge that is withheld from the proceeds of the loan is a prepaid finance charge and should also be listed on line D-7. Reg. 226.2(a)(23) and 226.18(c).

If you do not collect such a charge or the borrower pays the charge by cash or check at or before consummation of the loan, do not list anything on this line D-3.

D-4 Fill in the total amount of insurance premiums (including credit life, credit disability, property and single interest insurance) you are financing for the borrower.

CREDIT LIFE AND DISABILITY. Include in this total any credit insurance premiums which you have financed. Note: All required disclosures, (see lines G-1 through G-11), must be given.

PROPERTY AND SINGLE INTEREST INSURANCE. Include in this total any property insurance premium which you have financed. This is true whether the borrower purchased the property insurance from or through you, or you make out a draft for the loan proceeds to an insurer selected by the borrower. All required disclosures, (see lines G-14 through G-17) must be given.

D-5 Fill in the aggregate fees paid to public officials as part of this transaction to the extent such fees are financed.
This amount is not necessarily the same as B-12. For example, if you collect in cash from your borrower the fees necessary to perfect a security interest, you should list the fees on line B-12, but you will not list them here because they are not financed.

D-6 List on the lines D-6 any other 3rd parties paid by the lender with the proceeds of the loan. These are to be identified by name. Reg. 226.18(c)(iii).

For example, if the loan is for an automobile and the lender pays the car dealer directly, the name of the dealership and the amount paid should be filled in here.

D-7 Fill in the amount of any and all prepaid finance charges, whether financed or not.

D-8 Calculate the Amount Financed, by aggregating lines D-1 through D-6, and (if applicable) subtracting D-7.

PART E - SECURITY AGREEMENT

E-1 By describing the collateral below, E-1, you take a security interest in the property described.

Describe by item or type the collateral in which you are taking a security interest to secure this note.

GENERALLY. This security agreement is designed for personal property. This security agreement is principally designed for items which are covered by Article 9 of the Uniform Commercial Code.

Caution. As mentioned previously, this form is designed only for use in consumer transactions and for collateral typically involved in those transactions, such as consumer goods. This form is not intended, designed, or recommended for any other use.

We strongly recommend that you consult your own legal counsel concerning the appropriate ways to describe collateral here and on any financing statement or other filing document.

PLEDGES. If the collateral in which you are taking a security interest is pledged collateral (collateral which is delivered to your possession such as corporate stocks, collectibles, etc.) indicate following your description of the collateral, in parenthesis, that the collateral is pledged.

Note: If you are taking securities as collateral and their aggregate value is greater than $10,000, you may need to check with the Securities Information Center to ascertain whether the securities certificate has been reported missing, lost, counterfeit or stolen as required by Securities and Exchange Commission Rule 17f-1. Also, if you are extending credit in excess of $100,000 that is secured, in whole or in part, by any margin stock, you may need to complete form U-1. Reg. U, 12 C.F.R. § 221. Financial institutions other than banks (such as a thrift) may have to fill out a form G-3 rather than a U-1, and may have to do this even on loans of under $100,000. Reg. G, 12 C.F.R. 207.

AFTER ACQUIRED PROPERTY - IMPORTANT. If you intend that your security interest attach not only to property which the borrower already owns, but to property of the same type
which the borrower might thereafter acquire, be sure to add in this space appropriate language to that effect.

Remember, under U.C.C. § 9-204, the application of an after-acquired property security interest to consumer goods is very limited in scope.

E-2 If this box is checked, the property securing this debt will also serve as collateral for any future debts, even if this Loan Agreement is not referenced in any future debt agreement. See Additional Terms of the Security Agreement of this document for more information.

E-3 If you have secured this loan with a separate security agreement, assignment of time or savings account, etc., check the box and fill in the type of interest taken (e.g., assignment, security agreement) and the date of such interest. We encourage you to include preexisting security interests which secure this loan as well as contemporaneous but separate security interests.

Note: Be sure that the separate agreement is in fact sufficient to secure this loan. Completing E-3 does not by itself tie this form to pre-existing security agreements. Such security agreements must include “future advance” language to create this relationship.

PART F - THIRD PARTY AGREEMENT / FTC NOTICE

Most of our simple interest forms have a Third Party Agreement after the Additional Terms of the Security Agreement section.

F-1 Type in on the name of any person who is granting a security interest in the collateral under line F-1, but who does not promise to pay the loan, and have such person sign on line F-1.

F-2 Where necessary, add the FTC notice to this space. (Remember to add the notice to the copy you give the borrower, as well as the original.)

DISCUSSION. The regulation governing this FTC notice is found at 16 C.F.R. § 433. The notice is required if this is a “purchase money loan,” which is defined in the regulation as:

(a) Purchase Money Loan. A cash advance which is received by a consumer in return for a “Finance Charge” within the meaning of the Truth in Lending Act and Regulation Z which is applied in whole or in substantial part, to a purchase of goods or services from a seller who (1) refers consumers to the creditor or (2) is affiliated with the creditor by common control, contract, or business arrangement.

Caution: The FTC’s definition of “purchase money loan” is much narrower than general usage in the lending industry. The FTC notice is not intended to apply simply because loan proceeds are being used to purchase property. Instead, the FTC notice is only required where there is some relationship between you and the seller of the goods or services being purchased.
If you do not have an established relationship with the seller, either through referrals or affiliation, do not add the FTC notice in this space. The FTC notice is intended to limit the “Holder in Due Course” rule. Under this rule, the consumer must continue to make payments even if the seller fails to keep its promises. Adding the FTC notice to a loan contract with respect to which it is not required may mean that the consumer will not have to make loan payments to you if the seller fails to keep its promises to the consumer. This, in turn, may compel you to monitor the seller’s performance.

PART G - INSURANCE DISCLOSURE

G-1 This disclosure must be made, and must in fact be true, if you wish to sell credit life or disability insurance and you want to exclude the cost of such insurance from the finance charge. You must also complete lines G-3, G-4 for credit life; G-6, G-7 for credit disability and sign on line G-12 to keep the costs of such insurance out of the finance charge.

G-2 Check the appropriate box for single, joint or none for either credit life or credit disability.

G-3 Fill in the premium for the credit life policy which your borrower may purchase from or through you. Do the same if credit disability G-6 is chosen, or any other insurance G-10 is elected.

G-4 Fill in the term of the insurance for which you have disclosed the premium. If the term of the insurance is less than the term of the loan, the term must be disclosed. Reg. 226.4(d)(1)(ii).

G-7 If the term of the insurance is the same as the term of the loan, fill in “of loan,” or the actual term of the loan.

G-8 A blank line has been provided here for you to disclose any other sort of credit insurance (such as credit unemployment insurance) that you wish to offer. The types of credit insurance you may offer will be governed by state law.

G-12 These blanks are for the signature(s) of the debtor(s). The signature or initials of the debtor are necessary to exclude the cost of credit insurance premiums from the finance charge. One borrower may sign the request for insurance for a co-borrower. Reg. 226.4(d)(1)(iii). While a signature of a borrower is not required by Regulation Z where credit insurance is not being purchased, presence of a signature helps resolve any ambiguity over whether credit insurance was requested by a debtor.

G-13 A spot has been provided for the date of birth of debtors requesting credit insurance. There may be some cases where it is permissible for different premium rates to be charged for credit life insurance depending upon the age of the insured.

G-14 If you require vendor’s single interest insurance, disclosures must be made identical to those for property insurance if you want to exclude it from the finance charge. See G-16. Commentary - Reg. 226.4(d)(9) and 226.4(d)(10).

Note: Vendor’s single interest insurance is not permitted or common in all states. Not all forms include this disclosure.
G-16  To exclude the cost of any required property insurance, fill in the premium for any required property insurance which your borrower may purchase from or through you.

REQUIRED PROPERTY INSURANCE. Unlike credit life insurance, you may require your customer to purchase property insurance and still exclude the cost of such property insurance from the finance charge. Excludable property insurance is insurance against loss of or damage to the property, or against liability arising out of the ownership or use of the property. Reg.226.4(d)(2).

Of course, you must give your borrower the option to purchase the insurance from anyone else who offers equivalent coverages; however, the option to purchase the insurance from or through someone other than the lender does not mean that the insurance has to be readily available elsewhere. Commentary - Reg. 226.4(d)(8).

G-17  Fill in the term of the property insurance for the premium disclosed on line G-16. The term must be disclosed if the term of the insurance is less than the term of the note. Reg. 226.4(d)(2)(ii).

PART H - FEDERAL SALE OF INSURANCE DISCLOSURE

H-1  Check this box if there is an investment risk associated with the insurance product.

H-2  Borrowers should sign here.

PART I - NOTICE TO COSIGNER

Federal credit practices regulations require lenders to provide a notice to cosigners of consumer credit transactions. Regulations issued by the Federal Reserve Board (FRB), Office of Thrift Supervision (OTS), and the National Credit Union Administration (NCUA) permit this notice to be incorporated into documents evidencing the obligation. See 12 C.F.R. §§ 227, 535 and 706. This notice must be given before the cosigner signs the obligation.

Caution. The FRB, OTS and NCUA regulations only apply to banks, thrift institutions and federal credit unions. Other lenders, including state chartered credit unions, are subject to the Federal Trade Commission Credit Practices Rule and must provide a separate cosigner notice. Also some state laws require all lenders, under certain circumstances, to give out separate cosigner notices.

COSIGNER. A cosigner is any person who assumes liability for the obligation of a consumer without receiving the goods, services or money in return for the obligation, without regard to whether the person is designated a cosigner (e.g. guarantor, co-maker, etc.). Cosigner does not include a spouse whose signature is required to perfect a security interest under state law.

CROSS-REFERENCE. Some lenders require a cosigner to sign the note as a co-maker instead of as a guarantor. We have included a bold cross-reference above the signature lines on page 1 of the form to draw attention to the notice.
I-1 The regulations do not require (but do permit) you to obtain an acknowledgement from the cosigner that the notice has been received. We have included space for the cosigner to sign the notice I-1. Obtaining the cosigner’s signature serves as additional protection. The notice should be read (and signed) by the cosigner before the cosigner signs the obligation.

PART J - SIGNATURES

J-1 Borrowers should sign here.

Caution: Be sure that any requirement on your part for more than one signature is in compliance with Federal Regulation B (12 C.F.R. § 202) and state law. (This is true in any transaction whether it is a consumer or nonconsumer loan.)

J-2 This line is provided for your signature.