

HOME EQUITY CHOICE APPLICATION DISCLOSURE

Home State Bank, N.A.
 40 Grant St., P.O. Box 1738
 Crystal Lake IL 60039-1738

IMPORTANT TERMS OF OUR HOME EQUITY CHOICE APPLICATION DISCLOSURE

This disclosure contains Important Information about our Home Equity Choice (the "Plan"). You should read it carefully and keep a copy for your records.

AVAILABILITY OF TERMS: All of the terms of the Plan described herein are subject to change. If any of these terms change (other than the ANNUAL PERCENTAGE RATE) and you decide, as a result, not to enter into an agreement with us, you are entitled to a refund of any fees that you paid to us or anyone else in connection with your application.

SECURITY INTEREST: We will take a security interest in your home. You could lose your home if you do not meet the obligations in your agreement with us.

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

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

- (a) You commit fraud or make a material misrepresentation at any time in connection with the Plan. This can include, for example, a false statement about your income, assets, liabilities, or any other aspect of your financial condition.
- (b) You do not meet the repayment terms of the Plan.
- (c) Your action or inaction adversely affects the collateral for the Plan or our rights in the collateral. This can include, for example, failure to maintain required insurance, waste or destructive use of the dwelling, failure to pay taxes, death of all persons liable on the account, transfer of title or sale of the dwelling, creation of senior lien on the dwelling without our permission, foreclosure by the holder of another lien or the use of funds or dwelling for prohibited purposes.

Suspension or Reduction: In addition to any other rights we may have, we can suspend additional extensions of credit or reduce your credit limit during any period in which any of the following are in effect:

- (a) The value of your dwelling declines significantly below the dwelling's appraised value for purposes of the Plan. This includes, for example, a decline such that the initial difference between the credit limit and the available equity is reduced by fifty percent and may include a smaller decline depending on the individual circumstances.
- (b) We reasonably believe that you will be unable to fulfill your payment obligations under the Plan due to a material change in your financial circumstances.
- (c) You are in default under material obligation of the Plan. We consider all of your obligations to be material. Categories of material obligations include, but are not limited to, the events described above under Termination and Acceleration, obligations to pay fees and charges, obligations and limitations on the receipt of credit advances, obligations concerning maintenance or use of the dwelling or proceeds, obligations to pay and perform the terms of any other deed of trust, mortgage or lease of the dwelling, obligations to notify us and to provide documents or information to us (such as updated financial information), obligations to comply with applicable laws (such as zoning restrictions).
- (d) We are precluded by government action from imposing the annual percentage rate provided for under the Plan.
- (e) The priority of our security interest is adversely affected by government action to the extent that the value of the security interest is less than 120 percent of the credit limit.
- (f) We have been notified by governmental authority that continued advances may constitute an unsafe and unsound business practice.
- (g) The maximum annual percentage rate under the Plan is reached.

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

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

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

Description:	Amount	When Charged
Modification Fee	100.00	Upon Each Occurrence
Subordination Fee	200.00	Upon Each Occurrence
Annual Fee	50.00	Annually
NSF Handling Fee	50.00	At the time a payment is returned to us for non-sufficient funds
Over Limit Charge	50.00	At the time your Credit Line balance exceeds your credit limit
Advance Less Than Minimum Charge	50.00	At the time of an advance below the required minimum amount
Lien Release	50.00	At Account Closing

Late Charge: Your payment will be late if it is not received by us within **14 days after the "Payment Due Date" shown on the voucher you receive with each credit advance.** If your payment is late we may charge you 5.000% of the payment.

HOME EQUITY CHOICE APPLICATION DISCLOSURE

(Continued)

Third Party Fees: You must pay certain fees to third parties such as appraisers, credit reporting firms, and government agencies. These third party fees generally total \$0.00. Upon request, we will provide you with an itemization of the fees you will have to pay to third parties.

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

MINIMUM PAYMENT REQUIREMENT: You can obtain advances of credit during the following period: 120 MONTHS (the "Draw Period"). Your Regular Payment will equal the amount of your accrued FINANCE CHARGES. You will make 119 of these payments. You will then be required to pay the entire balance owing in a single balloon payment. If you make only the minimum payments, you may not repay any of the principal balance by the end of this payment stream. Your payments will be due monthly. Your "Minimum Payment" will be the Regular Payment, plus any amount past due and all other charges. An increase in the ANNUAL PERCENTAGE RATE may increase the amount of your Regular Payment.

In any event, if your Credit Line balance falls below \$100, you agree to pay your balance in full.

MINIMUM PAYMENT EXAMPLE: If you made only the minimum payment and took no other credit advances, it would take 10 years to pay off a credit advance of \$10,000 at an ANNUAL PERCENTAGE RATE OF 4.750%. During that period, you would make 119 monthly payments ranging from \$36.44 to \$40.34 and one final payment of \$10,040.34.

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

INTERNET, Credit Line CHOICE CHECK, Telephone Request, Request by Mail and in Person Request Limitations: The following transaction limitations will apply to your Credit Line and accessing by other methods, the writing of CHOICE CHECKS, requesting an advance by telephone, requesting an advance by mail and requesting an advance in person.

Minimum Advance Amount: The minimum amount of any credit advance that can be made on your Credit Line is \$500. This means any CHOICE CHECK must be written for at least the minimum advance amount.

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

VARIABLE RATE FEATURE: The Plan has a variable rate feature. The ANNUAL PERCENTAGE RATE (corresponding to the periodic rate), and the minimum payment amount can change as a result. The ANNUAL PERCENTAGE RATE does not include costs other than interest.

THE INDEX: The annual percentage rate is based on the value of an index (referred to in this disclosure as the "Index"). The Index is the Highest Prime Rate as published in the Wall Street Journal. Information about the Index is available or published in the Wall Street Journal. We will use the most recent Index value available to us as the date of any annual percentage rate adjustment. IF the Index is no longer available, we will choose a new Index and margin. The new Index will have an historical movement substantially similar to the original Index, and the new Index and margin will result in an annual percentage rate that is substantially similar to the rate in effect at the time the original Index becomes unavailable.

ANNUAL PERCENTAGE RATE: To determine the Periodic Rate that will apply to your account, we add a margin to the value of the Index, then divide the value by the number of days in a year (daily). To obtain the ANNUAL PERCENTAGE RATE we multiply the Periodic Rate by the number of days in a year (daily). This result is the **ANNUAL PERCENTAGE RATE**. A change in the Index rate generally will result in a change in the ANNUAL PERCENTAGE RATE. The amount that your ANNUAL PERCENTAGE RATE may change also may be affected by the lifetime annual percentage rate limits, as discussed below.

Please ask us for the current index value, margin and annual percentage rate. After you open a credit line, rate information will be provided on periodic statements that we send you.

FREQUENCY OF ANNUAL PERCENTAGE RATE ADJUSTMENTS: Your ANNUAL PERCENTAGE RATE can change DAILY. There is no limit on the amount by which the annual percentage rate can change during any one year period. However, under no circumstances will your ANNUAL PERCENTAGE RATE exceed 18.000% per annum or, go below 4.500% per annum at any time during the term of the Plan.

MAXIMUM RATE AND PAYMENT EXAMPLE: If you had an outstanding balance of \$10,000, the minimum payment at the maximum ANNUAL PERCENTAGE RATE OF 18.000% would be \$152.88 The ANNUAL PERCENTAGE RATE could be reached immediately or prior to the 1st payment.

PREPAYMENT: \$300 if closed within the first three years.

HISTORICAL EXAMPLE: The example below shows how the ANNUAL PERCENTAGE RATE and the minimum payments for a single \$10,000 credit advance would have changed based on changes in the Index from 1997 to 2011. The index values are from the following reference period: as of the 2nd week in June each year. While only one payment per year is shown, payments may have varied during each year. Different outstanding principal balances could result in different payment amounts.

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

APPLICATION FOR CREDIT

HELOC LOAN

CENSUS TRACT: _____

IMPORTANT: Read these Directions before completing this Application.

ZIP CODE: _____

- If you are applying for individual credit in your own name and are relying on your own income or assets and not the income or assets of another person as the basis for repayment of the credit requested, complete only Sections I and IV. If the requested credit is to be secured, also complete the first part of Section III.
- If you are applying for joint credit with another person, complete all Sections, providing information in II about the joint applicant.
- If you are applying for individual credit, but are relying on income from alimony, child support, or separate maintenance or on the income or assets of another person as the basis for repayment of the credit requested, complete all Sections except V to the extent possible, providing information in II about the person on whose alimony, support, or maintenance payments or income or assets you are relying. If the requested credit is to be secured, then complete Section V.

DATE	AMOUNT REQUESTED	TERM	PURPOSE
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SECTION I - APPLICANT

G E N E R A L	FULL NAME			NO. OF DEPENDENTS OTHER THAN SELF
	LIST ANY OTHER NAMES UNDER WHICH YOU HAVE OBTAINED CREDIT			
	HOME ADDRESS			CITY, STATE ZIP
	DATE OF BIRTH	SOCIAL SECURITY NO.	DRIVERS LICENSE NO.	HOW LONG THERE
	PREVIOUS ADDRESS IF AT PRESENT ADDRESS LESS THAN TWO YEARS			TELEPHONE NO.
	PREVIOUS ADDRESS IF AT PRESENT ADDRESS LESS THAN TWO YEARS			HOW LONG THERE
NEAREST RELATION (NOT LIVING WITH YOU)		RELATIONSHIP	ADDRESS	TELEPHONE NO.
E M P L O Y M E N T	EMPLOYER		ADDRESS	
	HOW LONG THERE	SALARY \$	<input type="checkbox"/> MONTH <input type="checkbox"/> WEEK	OCCUPATION OR POSITION
	PREVIOUS EMPLOYER		ADDRESS	TELEPHONE NO.
	PREVIOUS EMPLOYER		ADDRESS	HOW LONG THERE
	INCOME FROM ALIMONY, CHILD SUPPORT OR MAINTENANCE NEED NOT BE REVEALED IF YOU DO NOT CHOOSE TO RELY UPON IT AS A BASIS FOR REPAYING THIS OBLIGATION			
	OTHER INCOME SOURCE	MONTHLY AMOUNT	OTHER INCOME SOURCE	MONTHLY AMOUNT
DO YOU MAKE ALIMONY, CHILD SUPPORT OR MAINTENANCE PAYMENTS			AMOUNT	
			<input type="checkbox"/> YES <input type="checkbox"/> NO	

SECTION II - JOINT APPLICANT OR OTHER PARTY

G E N E R A L	FULL NAME			NO. OF DEPENDENTS OTHER THAN SELF
	LIST ANY OTHER NAMES UNDER WHICH YOU HAVE OBTAINED CREDIT			
	HOME ADDRESS			CITY, STATE ZIP
	DATE OF BIRTH	SOCIAL SECURITY NO.	DRIVERS LICENSE NO.	HOW LONG THERE
	PREVIOUS ADDRESS IF AT PRESENT ADDRESS LESS THAN TWO YEARS			TELEPHONE NO.
	PREVIOUS ADDRESS IF AT PRESENT ADDRESS LESS THAN TWO YEARS			HOW LONG THERE
NEAREST RELATION (NOT LIVING WITH YOU)		RELATIONSHIP	ADDRESS	TELEPHONE NO.
E M P L O Y M E N T	EMPLOYER		ADDRESS	
	HOW LONG THERE	SALARY \$	<input type="checkbox"/> MONTH <input type="checkbox"/> WEEK	OCCUPATION OR POSITION
	PREVIOUS EMPLOYER		ADDRESS	TELEPHONE NO.
	PREVIOUS EMPLOYER		ADDRESS	HOW LONG THERE
	INCOME FROM ALIMONY, CHILD SUPPORT OR MAINTENANCE NEED NOT BE REVEALED IF YOU DO NOT CHOOSE TO RELY UPON IT AS A BASIS FOR REPAYING THIS OBLIGATION			
	OTHER INCOME SOURCE	MONTHLY AMOUNT	OTHER INCOME SOURCE	MONTHLY AMOUNT
DO YOU MAKE ALIMONY, CHILD SUPPORT OR MAINTENANCE PAYMENTS			AMOUNT	
			<input type="checkbox"/> YES <input type="checkbox"/> NO	

SECTION III - MARITAL STATUS

(DO NOT COMPLETE IF THIS IS AN APPLICATION FOR INDIVIDUAL UNSECURED CREDIT)

APPLICANT	<input type="checkbox"/> MARRIED	<input type="checkbox"/> SEPARATED	<input type="checkbox"/> UNMARRIED (INCLUDING SINGLE, DIVORCED AND WIDOWED)
OTHER PARTY	<input type="checkbox"/> MARRIED	<input type="checkbox"/> SEPARATED	<input type="checkbox"/> UNMARRIED (INCLUDING SINGLE, DIVORCED AND WIDOWED)

SECTION IV - ASSET & DEBT INFORMATION

<input type="checkbox"/> OWN HOME	NAME OF LANDLORD OR RELATIVE		AMOUNT OF RENT	YEARS THERE	
	ADDRESS			TELEPHONE NO.	
	<input type="checkbox"/> RENT	NAME OF MORTGAGE HOLDER		ADDRESS	TELEPHONE NO.
ADDRESS			TELEPHONE NO.		
ADDRESS			TELEPHONE NO.		
<input type="checkbox"/> LIVE WITH RELATIVE	PURCHASE DATE		PURCHASE PRICE \$	PRESENT VALUE \$	
	PURCHASE PRICE \$		PRESENT VALUE \$	<input type="checkbox"/> MORTGAGE <input type="checkbox"/> CONTRACT	
	AMOUNT OF ORIGINAL MORTGAGE \$		PRESENT BALANCE \$	MONTHLY PAYMENT \$	
C R E D I T	HAVE YOU EVER GONE THROUGH BANKRUPTCY OR CHAPTER XIII? <input type="checkbox"/> YES <input type="checkbox"/> NO IF YES, WHEN?				
	DO YOU NOW HAVE ANY UNSATISFIED JUDGEMENTS AGAINST YOU? <input type="checkbox"/> YES <input type="checkbox"/> NO IF YES, EXPLAIN ON OTHER SIDE				
	ARE YOU A CO-SIGNER, ENDORSER OR GUARANTOR FOR OTHERS? <input type="checkbox"/> YES <input type="checkbox"/> NO IF YES, EXPLAIN ON OTHER SIDE				
	CHECKING ACCOUNT AT		ACCOUNT NO.	SAVINGS ACCOUNT AT	ACCOUNT NO.
	YEAR, MAKE & MODEL OF AUTO OWNED		WHERE FINANCED	AMOUNT OWED \$	
	PERSONAL REFERENCES - NAME		ADDRESS	TELEPHONE NO.	
R E F E R E N C E	CREDITORS		ADDRESS	ACCOUNT NO.	
	ADDRESS		ACCOUNT NO.	MONTHLY PAYMENTS	
	ADDRESS		ACCOUNT NO.	BALANCE	
	ADDRESS		ACCOUNT NO.	MONTHLY PAYMENTS	
	ADDRESS		ACCOUNT NO.	BALANCE	

NOTICE: 18 United States Code 1014, prescribes criminal penalties for false statements in loan applications to federally insured banks. I/We hereby certify that the foregoing statements are true and complete and are made for the purpose of determining my/our eligibility for credit. I/We agree that this statement shall remain your property, whether or not the application is accepted. You are authorized to make all inquiries you deem necessary to verify the accuracy of the statements made herein, and to determine my/our creditworthiness, including, but not limited to, procuring consumer reports from consumer reporting agencies and credit information from other financial institutions and extenders of credit, references, present and former employers, merchants, landlords and creditors. Each applicant consents that, upon denial of the application based on a consumer report or information received from a person other than a consumer reporting agency on any applicant, creditor may make appropriate Fair Credit Reporting Act disclosures to all applicants.

Signature of Applicant _____ Date _____

Signature of Joint Applicant _____ Date _____

**HOME EQUITY CHOICE APPLICATION DISCLOSURE
(Continued)**

INDEX TABLE

Year (as of the 2nd week in June each year)	Index (Percent)	Margin (1) (Percent)	ANNUAL PERCENTAGE RATE	Monthly Payment (Dollars)
1997.....	8.500.....	1.500	10.000	84.93
1998.....	8.500.....	1.500	10.000	84.93
1999.....	7.750.....	1.500	9.250	78.56
2000.....	9.500.....	1.500	11.000	93.42
2001.....	7.000.....	1.500	8.500	72.19
2002.....	4.750.....	1.500	6.250	53.08
2003.....	4.250.....	1.500	5.750	48.84
2004.....	4.000.....	1.500	5.500	46.71
2005.....	6.000.....	1.500	7.500	63.70
2006.....	8.000.....	1.500	9.500	80.68
2007.....	8.250.....	1.500	9.750	
2008.....	5.000.....	1.500	6.500	
2009.....	3.250.....	1.500	4.750	
2010.....	3.250.....	1.500	4.750	
2011.....	3.250.....	1.500	4.750	

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

BORROWER ACKNOWLEDGMENT

The Borrower, after having read the contents of the above disclosure, acknowledges receipt of this Disclosure Statement and further acknowledges that this Disclosure was completed in full prior to its receipt. The Borrower also acknowledges receipt of the handbook entitled "What you should know about Home Equity Lines of Credit".

BORROWER:

X _____
Borrower Date

X _____
Borrower Date