ADJUSTABLE RATE NOTE
(MTA – Twelve Month Average Index – Payment Caps)

THIS NOTE MAY CONTAIN PROVISIONS THAT WILL CHANGE THE INTEREST RATE AND THE MONTHLY PAYMENT. THERE MAY BE A LIMIT ON THE AMOUTH THAT THE MONTHLY PAYMENT CAN INCREASE OR DECREASE. THE PRINCIPAL AMOUNT TO REPAY COULD BE GREATER THAN THEN AMOUNT ORIGINALLY BORROWED, BUT NOT MORE THAN THE MAXIMUM LIMIT STATED IN THIS NOTE.

1. BORROWER'S PROMISE TO PAY

In return for a loan that I have received, I promise to pay U.S. $265,000.00 (this amount is called "principal"), plus interest, to the order of Lender. The principal amount may increase as provided under the terms of this Note but will never exceed ONE HUNDRED TEN (110.000%) of the Principal amount I originally borrowed. This is called the "Maximum Limit." Lender is Equity Now Inc. I will make all payments under this Note in the form of cash, check or money order.

I understand that Lender may transfer this Note. Lender or anyone who takes this Note by transfer and who is entitled to receive payments under this Note is called the "Note Holder."

2. INTEREST

(A) Interest Rate

Interest will be charged on unpaid Principal until the full amount of Principal has been paid. I will pay interest at a yearly rate of 1.750%. The interest rate I will pay may change.

The interest rate required by this Section 2 is the rate I will pay both before and after any default described in Section 7(B) of this Note.

(B) Interest Rate Change Dates

The interest rate I will pay may change on the 1st day of July, 2006, and on that day every month thereafter. Each date on which my interest rate could change is called an "Interest Rate Change Date." The new rate of interest will become effective on each Interest Rate Change Date. The interest rate may change monthly, but the monthly payment is recalculated in accordance with Section 3.

(C) Index

Beginning with the first Interest Rate Change Date, my adjustable interest rate will be based on an Index. The "Index" is the "Twelve-Month Average" of the annual yields on actively traded United States Treasury Securities adjusted to a constant maturity of on year as published by the Federal Reserved Board in the Federal Reserve Statistical Release entitled "Selected Interest Rates (H 15)" (the "Monthly Yields"). The Twelve-Month Average is determined by adding together the Monthly Yields for the most recently available twelve months and dividing by 12. The most recent Index figure available as of the date 15 days before each Interest Rate Change Date is called the "Current Index."

If the Index is no longer available, the Note Holder will choose a new index that is based upon comparable information. The Note Holder will give me notice of this choice.

(D) Calculation of Interest Rate Changes

Before each Interest Rate Change Date, the Note Holder will calculate my new interest rate by adding THREE AND THREE TWENTIETHS percentage point(s) 3.150% ("Margin") to the Current Index. The Note Holder will then round the results of this addition to the nearest one-eighth of one percentage point (0.125%). This rounded amount will be my new interest rate until the next Interest Rate Change Date.

3. PAYMENTS

(A) Time and Place of Payments

I will make a payment every month.

I will make my monthly payments on the 1st day of each month beginning on July 1, 2006. I will make these payments every month until I have paid all the Principal and Interest and any other changes described below that I may owe under this Note. Each monthly payment will be applied as of its scheduled due date and will be applied to interest before Principal. If, on June 1, 2036, I still owe amounts under the Note, I will pay those amounts in full on that date, which is called the "Maturity Date."

I will make my monthly payments at

Equity Now Inc.
1370 Avenue of the Americas
New York, NEW YORK 10018

or at a different place if required by the Note Holder.

(B) Amount of My Initial Monthly Payments

Each of my initial monthly payments until the first Payment Change Date will be in the amount of U.S. $946.70 unless adjusted under Section 3(F).

(C) Payment Change Date

My monthly payment may change as required by Section 3(D) below beginning on the 1st day of July, 2006, and on that day every 12th month thereafter. Each of these dates is called a "Payment Change Date." My monthly payment also will change at any time Section 3(F) or 3(G) requires me to pay a different monthly payment. The "Minimum Payment" is the minimum amount the Note Holder will accept for my monthly payment which is determined at the last Payment Change Date or as provided by Section 3(F) or 3(G) below if the Minimum Payment is not sufficient to cover the amount of the interest due then negative amortization will occur.

I will pay the amount of my new Minimum Payment each month beginning on each Payment Change Date or as provided in Section 3(F) or 3(G) below.

(D) Calculation of Monthly Payment Changes

At least 30 days before each Payment Change Date, the Note Holder will calculate the amount of the monthly payment that would be sufficient to repay the unpaid Principal that I am expected to owe at the Payment Change Date in full on the maturity date in substantially equal payments at the interest rate effective during the month preceding the Payment Change Date. The result of this calculation is called the "Full Payment." Unless Section 3(F) or 3(G) apply, the amount of my new monthly payment effective on a Payment Change Date, will not increase by more than7.500% of my prior monthly payment. This 7500% limitation is called the "Payment Cap." This Payment Cap applies only to the Principal and Interest payment and does not apply to any escrow payments Lender may require under the Security Instrument. The Not Holder will apply the Payment Cap by taking the amount of my Minimum Payment due the month preceding the Payment Change Date and multiplying it by the number 1.075. The result of this calculation is called the "Limited Payment." Unless Section 3(F) or 3(G) below requires me to pay a different amount, my new Minimum Payment will be the lesser of the Limited Payment and the Full Payment. I also have the option to pay the Full Payment for my monthly payment.

(E) Additions to My Unpaid Principal

Since my monthly payment amount changes less frequently than the interest rate, and since the monthly payment is subject to the payment limitations described in Section 3(D), my Minimum Payment could be less than or greater than the amount of the interest portion of the monthly payment that would be sufficient to repay the unpaid Principal I owe the monthly payment date in full on the Maturity Date in substantially equal payments. For each month that my monthly payment is less than the interest portion, the Note Holder will subtract the amount of my monthly payment form the amount of the interest portion and will add the difference to my unpaid Principal, and interest will accrue on the amount of this difference at the interest rate required by Section 2. For each month that the monthly payment is greater than the interest portion, the Note Holder will apply the payment as provided in Section 3(A).

(F) Limit on My Unpaid Principal; Increased Monthly Payment

My unpaid Principal can never exceed the Maximum Limit equal to ONE HUNDRED TEN percent (110%) of the Principal amount I originally borrowed. My unpaid Principal could exceed that Maximum Limit du to Minimum Payments and interest rate increases. In that event, on the date that my paying my monthly payment would cause me to exceed that limit, I will instead pay a new monthly payment. This means that my monthly payment may change more frequently than annually and such payment changes will not be limited by the 7.500% Payment Cap. The new Minimum Payment will be in an amount that would be sufficient to repay my then unpaid Principal in full on the Maturity Date in substantially equal payments at the current interest rate.

(G) Required Full Payment

On the FIFTH Payment Change Date and on each succeeding FIFTH Payment Change Date thereafter, I will begin paying the Full Payment as my Minimum Payment until my monthly payment changes again. I also will begin paying the Full Payment as my Minimum Payment on the final Payment Change Date.

(H) Payment Options

After the first Interest Rate Change Date, Lender may provide me with up to three (3) additional payment options that are greater than the Minimum Payment which are called "Payment Options." I may be given the following Payment Options:

(i) Interest Only Payment: the amount that would pay the interest portion of the monthly payment at the current interest rate. The Principal balance will not be decreased by this Payment Option and it is only available if the interest portion exceeds the Minimum Payment.

(ii) Fully Amortized Payment: the amount necessary to pay the loan off (Principal and Interest) at the Maturity Date in substantially equal payments.

(iii) 15 Year Amortized Payment: the amount necessary to pay the loan off (Principal and Interest) within a fifteen (15) year term from the first payment due date in substantially equal payments. This monthly payment amount is calculated on the assumption that the current rate will remain in effect for the remaining term.

These payments Options are only applicable if they are greater than the Minimum Payment.

4. NOTICE OF CHANGES

The Note Holder will deliver of mail to me a notice of any changes in the amount of my monthly payment before the effective date of any change. The notice will include information required by law to be given to me and also the title and telephone number of a person who will answer any questions I may have regarding the notice.

Loan Number Min

5. BORROWER'S RIGHT TO REPAY

I have the right to make payments of Principal at any time before they are due. A payment of Principal only is known as a "Prepayment." When I make a Prepayment, I will tell the Note Holder in writing that I am doing so. I may not designate a payments as a Prepayment if I have not made all the monthly payments due under the Note.

I may make a full Prepayment or partial Prepayments without paying any Prepayment charge. The Note Holder will use my Prepayments to reduce the amount of Principal that I owe under this Note. If I make a partial Prepayment, there will be no changes in the due dates of my monthly payments. My partial Prepayment may reduce the amount if my monthly payments after the first Payment Change Date following my partial Prepayment. However, any reduction due to my partial Prepayment may be offset by an interest rate increase.

6. LOAN CHARGES

If a law, which applies to this loan and which sets maximum loan charges, is finally interpreted so that the interest or other loan charges collected or to be collected in connection with this loan exceed the permitted limits, then: (a) any such loan charge shall be reduced by the amount necessary to reduce the charge to the permitted limit; and (b) any sums already connected from me that exceeded permitted limits will be refunded to me. The Note Holder may choose to make this refund by reducing the Principal I owe under this Note or by making a direct payment to me. If a refund reduces Principal, the reduction will be treated as a partial Prepayment.

7. BORROWER'S FAILURE TO PAY AS REQUIRED

(A) Late Charges for Overdue Payments

If the Note Holder has not received the full amount of any monthly payment by the end of the **FIFTEEN (15)** calendar days after the date it is due, I will pay a late charge to the Note Holder. The amount of the charge will be **2.000%** of my overdue payment of Principal and Interest. I will pay this late charge promptly but only once on each late payment.

(B) Default

If I do not pay the full amount of each monthly payment on the date it is due, I will be in default.

(C) Notice of Default

If I am in default, the Note Holder may send me a written notice telling me that if I do not pay the overdue amount by a certain date, the Note Holder may require me to pay immediately the full amount of Principal that has not been paid and all the interest that I owe on that amount. That date must be at least 30 days after the date on which the notice is mailed to me or delivered by other means.

(**D) No waiver by Note Holder**

Even if, at a time when I am in default, the Note Holder does not require me to pay immediately in full as described above, the Note Holder will still have the right to do so if I am in default at a later time.

(E) Payment of Note Hoder's Costs and Expenses

If the Note Holder has required me to pay immediately in full as described above, the Note Holder will have the right to be paid back by me for all of its costs and expenses in enforcing this note to the extent not prohibited by applicable law. These expenses include, for example, reasonable attorneys' fees.

8. GIVING OF NOTICES

Unless applicable law requires a different method, any notice that must be given to me under this Note will be given by delivering it or by mailing it by first class mail to me at the Property Address above or at a different address stated in Section 3(A) above or at a different address if I am given a notice of that different address.

9. OBLIGATIONS OF PERSONS UNDER THIS NOTE

If more than person signs this Note, each person is fully and personally obligated to keep all the promises made in this Note, including the promise to pay the full amount owed. Any person who is a guarantor, surety or endorser of this Note is also obligated to do these things. Any person who takes over these obligations, including the obligations of a guarantor, surety or endorser of this Note, is also obligated to keep all the promises made in this Note. The Note Holder may enforce its rights under this Note against each person individually or against all of us together. This means that any one of us may be required to pay all of the amounts owed under this Note.

10. WAIVERS

I and any other person who has obligations under this Note waive the rights of Presentment and Notice of Dishonor. “Presentment” means the right to require the Note Holder to demand payment of amounts due. “Notice of Dishonor” means the right to require the Note Holder to give notice to other persons that amounts due have not been paid.

11. SECURED NOTE

In addition to the protections given to the Note Holder under this Note, a Mortgage, Deed of Trust, or Security Deed (the "Security Instrument"), dated the same date as this Note, protects the Note Holder from possible losses that might result if I do not keep that promises that I make in this Note. That Security Instrument describes how and under what conditions I may be required to make immediate payment in full of all amounts I owe under this Note. Some of these conditions are described as follows:

> **Transfer of the Property or a Beneficial Interest in Borrower.** As used in this Section 18, "Interest in the Property" means any legal or beneficiary interest in the Property, including, but not limited to, those beneficial interests transferred in a bond for deed, contract for deed, installment sales contract or escrow agreement, the intent of which is the transfer of title by Borrowed at a future date to a purchaser.
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> If all or any part of the Property or any Interest in the Property is sold or transferred (or if Borrower is not a natural person and a beneficial interest in Borrower is sold or transferred) without Lender's prior written consent, Lender may require immediate payment in full of all sums secured by this Security Instrument. However, this option shall not be exercised by Lender if such exercise is prohibited by Applicable Law. Lender also shall not exercise this option if: (a) Borrower causes to be submitted to Lender information required by Lender to evaluate the intended transferee as if a new loan were being made to the transferee; and (b) Lender reasonably determines that Lender's security will not be impaired by the loan assumption and that the risk of a breach of any covenant or agreement in this Security Instrument is acceptable to the lender.
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> To the extent permitted by Applicable Law, Lender may charge a reasonable fee as a condition to Lender's consent to the loan assumption. Lender may also require the transferee to sign an assumption agreement that is acceptable to Lender and that obligates the transferee to keep all the promises and agreements made in the Note and in this Security Instrument. Borrower will continue to be obligated under the Note and this Security Instrument unless Lender releases Borrower in writing.
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> If Lender exercises the option to require immediate payment in full, Lender shall give Borrower notice of acceleration. The notice shall provide a period of not less than 30 days from the date the notice is given in accordance with Section 15 within which Borrower must pay all sums secured by this Security Instrument. If Borrower fails to pay these sums prior to the expiration of this period, Lender may invoke any remedies permitted in this Security Instrument without further demand on Borrower.

WITNESS THE HAND(S) AND SEAL(S) OF THE UNDERSIGNED

__________________________ (Seal) -Borrower

_________________________ (Seal) -Borrower

Social Security number:

(sign original only)

- **Maximum limit**
  This is an indication that the loan allows "negative amortization." In other words, the borrower may make monthly payments that don't even cover the interest charges. The difference is added to the loan amount. This passage says the negative amortization can't exceed 10 percent. The loan is for $265,000, so negative amortization can't top $26,500. It's possible for the loan balance to rise to $291,500, but no higher.
- **Teaser rate**
  Good news! The interest rate is only 1.75 percent! Bad news: "The interest rate I will pay may change." That indicates that this is an adjustable-rate mortgage. That starting interest rate is often called a "teaser rate" or "introductory rate."
- **Rate change dates**
  Even worse news: The teaser rate lasts only a month! This loan closed on May 25, 2006, the first monthly payment was due July 1, 2006 -- and that's when the interest rate changes for the first time, too. Then the rate changes every month. (But the payment doesn't necessarily change. More on that later.)
- **Index**
  Each month's interest rate is calculated by adding an index to a margin. An index is an interest rate or bond yield paid on some other type of debt, such as U.S. Treasury notes, an average of savings-account rates paid in the Western states or rates that banks charge one another in wholesale money markets in London. This passage tells you which index the loan uses -- the 12-month average of constant-maturity 1-year Treasury notes, widely known as the 12-month MTA. Although this description doesn't use the phrase "12-month MTA," the heading at the top of the first page reads "MTA - Twelve Month Average Index," and the footer at the bottom of each page reads "MTA Index." This loan's index is the 12-month MTA yield 15 days before the first of the month.
- **Margin**
  Each month, when the reset date rolls around, the new rate is calculated by adding a margin to the index. The index is the 12-month MTA; the margin, as described in this passage, is 3.15 percent. Let's say the index is 5 percent. Add the margin to that and you get 8.15 percent. In virtually all cases, the 12-month MTA won't be a round number like that. Let's say it's 5.029 percent. Add the margin of 3.15 percent to that, and you get 8.179 percent. Then the lender rounds it, up or down, to the nearest 0.125 percent. In this case, the lender would round down to 8.125 percent.
- **Rate cap**
  An adjustable-rate mortgage's interest rate is based upon an index plus a margin,

but that's not all that determines the new rate. This option ARM has limits, called "caps," that restrict the maximum and minimum interest rates. Note that the word "cap" doesn't appear in this description of the caps. This passage describes two caps. The maximum possible rate is 9.95 percent. The minimum possible rate is the margin -- 3.15 percent. In practice, the rate charged after the first rate change was much higher than that. In mid-June 2006, the 12-month MTA was around 4.5 percent. The margin was 3.15 percent. So the rate jumped from 1.75 percent in the first month to around 7.625 percent in the second month. At least it can't rise above 9.95 percent. (Since the rate has to be rounded to the nearest eighth of a percent, the maximum rate is really 9.875 percent.)

- **Payment amounts**
  The minimum monthly payment is $946.70 unless negative amortization increases to the maximum limit. Then it will rise according to the rules in Section 3(F).
- **Payment change dates**
  The minimum monthly payment may change every July, and then it lasts a year except in certain cases described in confusing detail below. Note the mention of negative amortization.
- **Calculating monthly payments**
  The minimum monthly payment can't increase more than 7.5 percent when it is changed each July. This payment cap applies to increases in principal and interest and doesn't count taxes, insurance and other fees added to the monthly payment. There are exceptions, though -- in some instances, the payment can rise a lot more than 7.5 percent.
- **Negative amortization ("adding to principal")**
  The borrower is allowed to make a payment that doesn't cover the interest charged. When that happens, the unpaid interest is added to principal. Naturally, interest is charged on this unpaid interest.
- **Recasting**
  The interest rate can climb a lot faster than the payment cap. This is what's confusing about option ARMs and why unwary borrowers can find themselves getting into trouble. For the first year, the borrower's minimum payments are based on a rate of 1.75 percent, even though the rate is north of 8 percent for most of that year. Then the minimum payment rises by 7.5 percent, but that barely makes a dent in the negative amortization that the borrower accumulates with each minimum monthly payment. The rate can rise every month, while the minimum payment stays the same for 12 months beginning each July. If negative amortization reaches 110 percent of the original loan amount, the 7.5 percent payment cap is tossed out the window, and the borrower immediately has to begin paying enough principal and interest to retire the loan over the remaining term.
- **Payment options**
  Every five years, the borrower has to begin paying enough principal and interest to retire the loan over the remaining term -- until the next July, that is. Most of the time, the borrower has the option of making the minimum payment, even if it negatively amortizes; an interest-only payment that covers all the interest charged; a payment that would pay the loan off over a 30-year term; or a payment that

would pay the loan off over a 15-year term. Those last three options are available only if they exceed the minimum payment.

- **Prepayment penalties**
  The borrower can make principal payments at any time without incurring a prepayment penalty. The mortgage can be paid in full at any time without risk of a prepayment penalty.