

Loan Number:

ADJUSTABLE RATE NOTE
(LIBOR Six-Month Index (As Published in The Wall Street Journal) – Rate Caps)

THIS NOTE CONTAINS PROVISIONS ALLOWING FOR CHANGES IN MY INTEREST RATE AND MY MONTHLY PAYMENT. THIS NOTE LIMITS THE AMOUNT MY INTEREST RATE CAN CHANGE AT ANY ONE TIME AND THE MAXIMUM RATE I MUST PAY.

Cranford, NEW JERSEY 07016
(Property Address)

1. BORROWER'S PROMISE TO PAY

In return for a loan that I have received, I promise to pay U.S. \$225,000.00, (this amount is called "Principal"), plus interest, to the order of Lender. 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

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 8.290%. This interest rate I will pay may change in accordance with Section 4 of this Note.

The interest rate required by this Section 2 and Section 4 of this Note is the rate I will pay both before and after any default described in Section 7(B) of this Note.

3. PAYMENTS

(A) Time and Place of Payments

I will pay principal and interest by making a payment every month.

I will make my monthly payments on the 1st day of each month beginning on March 1, 2007. I will make these payments every month until I have paid all of the principal and interest and any other charges 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 February 1, 2037, I still owe amounts under this 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 10019
or at a different place if required by the Note Holder

(B) Amount of My Initial Monthly Payments

Each of my initial monthly payments will be in the amount of U.S. \$1,696.68. This amount may change.

(C) Monthly Payment Changes

Changes in my monthly payment will reflect changes in the unpaid principal of my loan and in the interest rate that I must pay. The Note Holder will determine my new interest rate and the changed amount of my monthly payment in accordance with Section 4 of this Note.

(D) Application of Payments

Payments received by the Note Holder will be applied in the following order: (i) prepayment charges due under this Note; (ii) amounts payable under paragraphs 2 of the Security Instrument (defined below); (iii) interest due under this Note; (iv) principal due under this Note; and (v) late charges due under this Note.

4. INTEREST RATE AND MONTHLY PAYMENT CHANGES

(A) Change Dates

The interest rate I will pay may change on the 1st day of **February, 2009**, and on that day every 6th month thereafter. Each date on which my interest rate could change is called a "Change Date."

(B) The Index

Beginning with the first Change Date, my interest rate will be based on an Index. The "Index" is the average of Interbank offered rates for six-month U.S. dollar-denominated deposits in the London market ("LIBOR"), as published in *The Wall Street Journal*. The most recent Index figure available as of the first business day of the month immediately preceding the month in which the Change Date occurs 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.

(C) Calculation of Changes

Before each Change Date, the Note Holder will calculate my new interest rate by adding **SEVEN AND ONE TWENTY-FIFTH** percentage point(s) (**7.040%**) to the Current Index. The Note Holder will then round the result of this addition to the nearest one-eighth of one percentage point (0.125%). Subject to the limits stated in Section 4(D) below, this rounded amount will be my new interest rate until the next Change Date.

The Note Holder will then determine the amount of the monthly payment that would be sufficient to repay the unpaid principal that I am expected to owe at the Change Date in full on the Maturity Date at my new interest rate is substantially equal payments. The result of this calculation will be the new amount of my monthly payment.

(D) Limits on Interest Rate Changes

The interest rate I am required to pay at the first Change Date will not be greater than 11.290% or less than 8.290%. Thereafter, my interest rate will never be increased or decreased on any single Change Date by more than ONE percentage point(s) (1.000%) from the rate of interest I have been paying for the preceding SIX months. My interest rate will never be greater than 14.290%, or less than 8.290%.

(E) Effective Date of Changes

My new interest rate will become effective on each Change Date. I will pay the amount of my new monthly payment beginning on the first monthly payment date after the Change Date until the amount of my monthly payment changes again.

(F) Notice of Changes

The Note Holder will deliver or mail to me a notice of any changes in my interest rate and 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 question I may have regarding the notice.

5. BORROWER'S RIGHT TO PREPAY

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 make a full prepayment or partial prepayments without paying any prepayment charge. The Note Holder will use all of 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 unless the Note Holder agrees in writing to those changes. My partial prepayment may reduce the amount of monthly payments after the first 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 other loan charges collected or to be collected in connection with this loan exceed the permitted limits, then: (a) and such loan charge shall be reduced by the amount necessary to reduce the charge to the permitted limit: (b) any sums already collected 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 amount of any monthly payment by the end of the FIFTEEN 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 5.000% 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 the amount. The 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 the time when I am in default, the Note Holder does not require me to pay immediately in full as described above, the Not Holder will still have the right to do so if I am in default at a later time.

(E) Payment of Note Holder'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 b Applicable Law. Those 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 the Note will be give by delivering it or by mailing it by first class mail to me at the Property Address above or at a different address if I give the Note Holder a notice of my different address.

Unless the Note Holder requires a different method, any notice that must be given to the Note Holder under this Note will be given by mailing it by first class mail to the Note Holder at the 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 then one person signs this Note, each person is fully and personally obligated to keep all of 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 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 of

the promises made in this Note. The Note Holder may enforce its right 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 amount 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. UNIFORM SECURED NOTE

This note is a uniform instrument with limited variations in some jurisdictions. 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 the 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 those conditions read 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 beneficial 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 Borrower at a future date to a purchaser.

If all or any part of 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 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 Lenders 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 Lender.

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 Security Instrument unless Lender releases Borrower in writing.

If Lender exercises the option to require immediate payment in full, Lender shall give Borrower notice of acceleration. This 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 by this Security Instrument without further notice or demand on Borrower.

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

_____(Seal)
-Borrower

_____(Seal)
-Borrower

- **Introductory rate**

An introductory rate, or teaser rate, is the initial rate paid on an adjustable-rate loan. On a mortgage, the introductory rate might last as short as one month and as long as 10 years. The telltale words to watch for are, "The interest rate I will pay may change..." This passage says that the rate is 8.29 percent and that it "may change" according to rules described later in the contract. If a loan note gives the interest rate, and then says it may change, you have an adjustable-rate loan with an introductory rate.

- **Payment amounts**

A clue that this is an adjustable-rate mortgage is the phrase "initial monthly payments" and the sentence "This amount may change." This passage tells you how much the monthly payment will be -- until the change date. On this loan, that change date comes quickly.

- **Change dates**

This part of the contract describes how long the teaser rate will last. The first payment due on this loan was in February 2007, and the contract says the rate will change for the first time in February 2009 and can change every August and February after that. The initial rate lasts two years, and then it is reset every six months thereafter. This is known as a 2/28 mortgage, and generally a loan structured this way is for borrowers with tarnished credit. The common term for this loan is "subprime mortgage." The rate changes are widely known as resets, but the term "reset" is not used in this contract.

- **Index**

The rate on this loan changes every six months after the second anniversary. The new rate is calculated by adding an index plus 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 six-month LIBOR. Although this description doesn't use the phrase "six-month LIBOR," the heading at the top of the first page does, as well as the footer at the bottom of each page. This loan's index is the six-month LIBOR rate on the first business day before each change date. The first time this loan's rate changes, it will be based upon the six-month LIBOR rate on Friday, Jan. 2, 2009. (Jan. 1 isn't a business day because it's a holiday.)

- **Margin**

Whenever the reset date rolls around, the new rate is calculated by adding a margin to an index. The index is the six-month LIBOR; the margin, as described in this passage, is 7.04 percent. Let's say the index is 5 percent. Add the margin to that, and you get 12.04 percent. In virtually all cases, the six-month LIBOR won't be a round number like that. Let's say it's 5.358 percent. Add the margin of 7.04 percent to that, and you get 12.398 percent. Then you round it, up or down, to the nearest 0.125 percent. In this case, the lender would round down to 12.375 percent. Note that this contract never uses the word "margin" to describe the margin.

- **Caps**

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. There are limits, called "caps," that restrict how much the rate can change at one time or cumulatively. Note that the word "cap" doesn't appear in this description of the caps. This passage describes three caps. First, it says that the first time the rate is reset it can't jump higher than 11.29 percent and it can't drop lower than 8.29 percent. In other words, the initial rate jump can't be more than 3 percentage points from the introductory rate of 8.29 percent. After that, the rate can change every six months but it can't jump or drop more than 1 percentage point each time. This is known as the periodic cap. Finally, the rate can never exceed 14.29 percent. That's known as the lifetime cap. It can't drop below a floor of 8.29 percent, either.

- **Prepayments**

The borrower can make principal payments at any time over the interest-only period, or make extra payments toward principal afterward, without incurring a prepayment penalty. The mortgage can be paid in full at any time without risk of a prepayment penalty. But you have to declare any prepayments in the notes field of the check.

- **Late charges**

More than 15 days late with the payment? Tack on an extra 5 percent to the minimum amount owed.