

UNDERSTANDING YOUR LOAN PAYMENTS



KleinBank offers three types of loan repayment that can be made utilizing Online Banking, visiting one of our branches, contacting our Solutions Center, or by mail.

Standard Payments The most common repayment plan is a standard payment. It spreads equal payments over the course of your loan. Standard payments are made on the same date each month and includes principal and interest.

Interest Only This type of payment only covers the interest on the balance. There are no payments made to the principal of the loan.

Principal Only A principal only payment makes an extra payment directly to the principal of the loan. A principal only payment can only be made if the loan is current, and is done after a standard payment has been applied.

For final payoff or pay to zero on lines of credit or checking reserves, please contact our Solutions Center.

Paying on time makes it easy

KleinBank will set up your loan repayment date (generally set up as an automatic transfer). We will calculate how much interest and principal you need to pay along with the date your payment will be due each month so your balance will be zero at the end of the payment period. If you make all your regular monthly payments on time, and there are no other changes to your account, you should expect to pay exactly the amount presented to you at the start of your loan repayment. If your payment date falls on a Saturday or Sunday, the payment due date will be adjusted to the following business day.

Paying late costs you money

When KleinBank receives your monthly payment, outstanding interest on your loan is paid first. Then the rest of your payment goes to your principal balance. If you pay late, more of your monthly payment is used to pay interest and less will go toward reducing your principal balance. A late fee may also be charged, which increases the cost of your loan.

KleinBank is here to help

If you want to know more about payments, setting up automatic or one-time payments, or loan payment options, please call our Solutions Center at 1-888-553-4648, option 2. Our hours of operation are Monday through Friday 7am to 7pm and Saturdays 8am to 5pm.

LOAN PAYMENTS GLOSSARY



A-C

Amortized Loan A loan with equal, scheduled periodic payments of both principal and interest that pays the loan in full by the maturity date.

Annual Percentage Rate The cost of credit expressed as a yearly rate. For closed-end credit, such as car loans or mortgages, the APR includes the interest rate and certain other credit charges that the borrower is required to pay.

Appraisal An analysis performed by a certified individual to determine the estimated market value of a home.

Balloon Payment A balloon payment is a final payment that is at least two times the periodic payment due on the maturity date and repays the loan in full.

Bill of Sale “Bill of Sale” is a document that shows the details of a sale. For example, a dealership will prepare a bill of sale to document your purchase of a new car. The term “Bill of Sale” is sometimes used interchangeably with the term “Purchase Agreement.”

Closing or Consummation A time when all documents for your loan are signed, dated, and notarized.

Closing Costs Fees paid by the borrower in connection with the closing of a loan.

Closing Disclosure Provided three days before your scheduled loan closing and outlines the final costs of the transaction.

Co-Borrower A co-borrower is an additional person who assumes equal responsibility for repayment of a loan and is fully obligated under the terms of the loan. This person also has equal rights to the proceeds of the loan.

Collateral Something tangible pledged as security for repayment of a debt. The borrower risks losing the collateral if the debt is not repaid according to the terms of the loan contract.

Co-Signer A person who signs on your behalf and assumes equal responsibility for payment of the loan but receives no benefit from the loan proceeds.

Credit Limit The maximum amount of credit that is available on a Home Equity Line of Credit, Personal Line or Credit Card.

Credit Score A number representing the creditworthiness of a borrower or the likelihood the borrower will pay his or her debts.

LOAN PAYMENTS GLOSSARY



D-L

Deed of Trust The document, referred to as a mortgage in some states that pledges real estate to a lender or trustee as security for the repayment of debt.

Deed Products A Line of Credit or Loan where the security or collateral is real estate with a Deed of Trust or Mortgage.

Down Payment The portion of the purchase price that the borrower pays in cash and becomes equity.

Fixed Rate Loan Type of loan in which the interest rate and monthly principal and interest payments remain the same throughout the term of the loan.

Fixed Rate Loan Option A feature of the Home Equity Line of Credit that allows the borrower to secure, or “fix” the interest rate on all or a portion of the principal balance.

Home Equity Line of Credit (HELOC)/FlexLine A revolving line of credit secured by the equity in a home. It can be used for home improvements, debt consolidation, and other major purchases.

Home Equity Loan A fixed rate loan secured by the equity in a home. The loan amount is disbursed all at one time. Homeowners often use a home equity loan for home improvements or to finance children’s college education.

Index The economic indicator used to calculate interest-rate adjustments for adjustable-rate mortgages or other adjustable-rate loans. The index rate can increase or decrease at any time.

Installment Loan Borrowed money that is repaid in equal periodic payments. Cars and furniture are often paid for with installment loans.

Interest Rate Ceiling The maximum interest rate for an adjustable-rate loan, as specified in the loan note.

Interest Rate Floor The minimum interest rate for an adjustable-rate loan, as specified in the loan note.

Interest The cost of the use of money.

Lien A security interest or encumbrance against a property for money due. The lien can be voluntary such as a mortgage or involuntary such as a judgment.

Lien Position The order in which liens will be repaid when the property is transferred to a new owner.

LOAN PAYMENTS GLOSSARY



Loan-to-Value (LTV) Ratio A ratio used by lenders to calculate the loan amount requested as a percentage of the value of a home. To determine the loan-to-value ratio, divide the loan amount by the home's value. The LTV ratio is used to determine what loan types the borrower qualifies for as well as the cost and fees associated with obtaining the loan.

Loan Estimate An itemized, detailed list of certain estimated costs associated with a home loan that the lender is required to provide to the borrower within three business days of receiving the application.

M-V

Margin The number of percentage points a Lender adds to the index value to calculate the variable interest rate at each adjustment period.

Nationwide Mortgage Licensing System and Registry (NMLS) A federal registry of lenders and mortgage loan originators established as a result of legislation enacted to protect consumers and prevent fraud for mortgage loans secured by a dwelling.

Non-Deed Products All loan products where the collateral, if any, is not a Deed of Trust or Mortgage; non-deed products could be a vehicle lien – auto, boat or RV.

Principal The amount of money lent to a borrower.

Purchase Agreement The purchase agreement is the contract to be signed by the buyer and seller outlining the agreed-upon price for the purchase of collateral. The term “Bill of Sale” is sometimes used interchangeably with the term “Purchase Agreement.”

Second Mortgage A mortgage loan where the rights are subordinate to the rights of the first mortgage holder. Home Equity Loans are often referred to as a second mortgage because the borrower typically is still paying off their home purchase mortgage. If the home is paid off, the Home Equity Loan is then considered to be the first mortgage.

Secured Loan A loan that is backed by collateral.

Term The period of time agreed upon by the Lender and borrower to repay the loan.

Unsecured Loan A loan that is not backed by collateral.

Variable Rate Loan A loan in which the interest rate and the payments change over the life of the loan. The interest rate adjusts to match the rise or fall of pre-selected interest rate index causing the borrowers monthly payments to rise or fall accordingly.