

A

The Original Citibank Promissory Note

Chapter 3 tells the story of how this promissory note was replaced by the plain language one in Appendix B.

A bank employee would fill in the blanks with numbers appropriate to the loan. At several places, the employee would put a check mark inside empty parentheses, (), to indicate the loan's details.

The note was even more incomprehensible than what you see here. The first five paragraphs were in all-cap type, which makes even good drafting unreadable. Appendix C explains why. We put everything in ordinary type so you see the wording clearly.

Personal Finance Department New York	Proceeds to Borrower	(1) \$ _____
Application	Property Ins. Premium	(2) \$ _____
Number _____	Filing Fee	(3) \$ _____
Annual Percentage	Amount Financed (1) + (2) + (3)	(4) \$ _____
Rate _____%	Prepaid Finance Charge	(5) \$ _____
	Group Credit Life Ins. Premium	(6) \$ _____
	Finance Charge (5) + (6)	(7) \$ _____
	Total of Payments (4) + (7)	(8) \$ _____

For value received, the undersigned (jointly and severally) hereby promise(s) to pay to First National City Bank (the "Bank") at its office at 300 Park Avenue, New York, NY 10022 (i) the sum of _____ (\$ _____) (total of payments) () in _____ equal consecutive monthly installments of \$ _____ each on the same day of each month, commencing _____ days from the date the loan is made or () in _____ equal consecutive weekly installments of \$ _____ each on the same day of each week, commencing not earlier than 5 days nor later than 45 days from the date the loan is made or () in _____ equal consecutive bi-weekly installments of \$ _____ each, commencing not earlier than 10 days nor later than 45 days

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from the date the loan is made and on the same day of each second week thereafter: or () in _____ equal consecutive semi-monthly installments of \$_____ each, commencing not earlier than 10 days nor later than 45 days from the date the loan is made, and on the same day of each semi-monthly period thereafter, (ii) a fine computed at the rate of 5 cents per \$1 on any installment which has become due and remained unpaid for a period in excess of 10 days, provided (a) if the proceeds to the Borrower are \$10,000 or less, no such fine shall exceed \$5 and the aggregate of all such fines shall not exceed the lesser of 2% of the amount of this note or \$25, or (b) if the annual percentage rate stated above is 7.50% or less, the limitations provided in (a) shall not apply and no such fine shall exceed \$25 and the aggregate of all such fines shall not exceed 2% of the amount of this note, and such fine(s) shall be deemed liquidated damages occasioned by the late payment(s); (iii) in the event of this note maturing, subject to an allowance for unearned interest attributable to the matured amount, interest at a rate equal to 1% per month and (iv) if this note is referred to an attorney for collection, a sum equal to all costs and expenses thereof including an attorney's fee equal to 15% of the amount owing on this note at the time of such reference, for necessary court costs. The acceptance by the Bank of any payment(s) even if marked payment in full or similar wording, or if made after any default hereunder, shall not operate to extend the time of payment of or to waive any amount(s) then remaining unpaid or constitute a waiver of any rights of the Bank hereunder.

In the event this note is prepaid in full or refinanced, the Borrower shall receive a refund of the unearned portion of the prepaid finance charge computed in accordance with the rule of 78 (the "sum of the digits" method) provided that the Bank may retain a minimum finance charge of \$10, whether or not earned, and, except in the case of a refinancing, no refund shall be made if it amounts to less than \$1. In addition, upon any such prepayment or refinancing, the Borrower shall receive a refund of the charge, if any, for group credit life insurance included in the loan equal to the unearned portion of the premium paid or payable by the holder of the obligation (computed in accordance with the rule of 78), provided that no refund shall be made of amounts less than \$1.

As collateral security for the payment of the indebtedness of the undersigned hereunder and all other indebtedness or liabilities of the undersigned to the Bank, whether joint, several, absolute, contingent, secured, unsecured, matured or unmatured, under any present or future note or contract or agreement with the Bank (all such indebtedness and liabilities being hereinafter collectively called the "Obligations"), the Bank shall have, and is hereby granted, a security interest and/or right of set-off in and to (a) all monies, securities and other property of the undersigned now or hereafter on deposit with or otherwise held by or coming to the possession or under the control of the Bank, whether held for safekeeping, collection, transmission or otherwise or as custodian, including the proceeds thereof, and any and all claims of the undersigned against the Bank, whether now or hereafter existing, and (b) the following described

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personal property (all such monies, securities, property, proceeds, claims and personal property being hereinafter collectively called the "Collateral"): () motor vehicle () boat () stocks () bonds () savings and/or _____. See customer's copy of security agreement(s) or Collateral receipt(s) relative to this loan for full description.

If this note is secured by a motor vehicle, boat or aircraft, property insurance on the Collateral is required and the Borrower may obtain the same through a person of his own choice.

If this note is not fully secured by the Collateral specified above, as further security for the payment of this note, the Bank has taken an assignment of 10% of the undersigned Borrower's wages in accordance with the wage assignment attached to this note.

In the event of default in the payment of this or any other Obligation or the performance or observance of any term or covenant contained herein or in any note or other contract or agreement evidencing or relating to any Obligation or any Collateral on the Borrower's part to be performed or observed; or the undersigned Borrower shall die; or any of the undersigned become insolvent or make an assignment for the benefit of creditors; or a petition shall be filed by or against any of the undersigned under any provision of the Bankruptcy Act; or any money, securities or property of the undersigned now or hereafter on deposit with or in the possession or under the control of the Bank shall be attached or become subject to distraint proceedings or any order or process of any court; or the Bank shall deem itself to be insecure, then and in any such event, the Bank shall have the right (at its option), without demand or notice of any kind, to declare all or any part of the Obligations to be immediately due and payable, whereupon such Obligations shall become and be immediately due and payable, and the Bank shall have the right to exercise all the rights and remedies available to a secured party upon default under the Uniform Commercial Code (the "Code") in effect in New York at the time, and such other rights and remedies as may otherwise be provided by law. Each of the undersigned agrees (for purposes of the "Code") that written notice of any proposed sale of, or of the Bank's election to retain, Collateral mailed to the undersigned Borrower (who is hereby appointed agent of each of the undersigned for such purpose) by first class mail, postage prepaid, at the address of the undersigned Borrower indicated below three business days prior to such sale or election shall be deemed reasonable notification thereof. The remedies of the Bank hereunder are cumulative and may be exercised concurrently or separately. If any provision of this paragraph shall conflict with any remedial provision contained in any security agreement or collateral receipt covering any Collateral, the provisions of such security agreement or collateral receipt shall control.

Acceptance by the Bank of payments in arrears shall not constitute a waiver of or otherwise affect any acceleration of payment hereunder or other right or remedy exercisable hereunder. No failure or delay on the part of the Bank in

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exercising, and no failure to file or otherwise perfect or enforce the Bank’s security interest in or with respect to any Collateral, shall operate as a waiver of any right or remedy hereunder or release any of the undersigned, and the Obligations of the undersigned may be extended or waived by the Bank, any contract or other agreement evidencing or relating to any Obligation or any Collateral may be amended and any collateral exchanged, surrendered or otherwise dealt with in accordance with any agreement relative thereto, all without affecting the liability of any of the undersigned. In any litigation (whether or no arising out of or relating to any Obligation or Collateral or other matter connected herewith) in which the Bank and any of the undersigned may be adverse parties, the Bank and each such undersigned hereby waives their respective right to demand trial by jury and, additionally, each such undersigned waives his right to interpose in any such litigation any counterclaim of any nature or description which he may have against the Bank. In addition, the Bank shall not be deemed to have obtained knowledge of any fact or notice with respect to any matter relating to this note or any Collateral unless contained in a written notice mailed, postage prepaid, or personally delivered to the Personal Finance Department of the bank at its address set forth above. Each of the undersigned, by his signature hereto, hereby waives presentation for payment, demand, notice of non-payment, protest and notice of protest with respect to the indebtedness evidenced by this note, and each such undersigned hereby agrees that his note shall be deemed to have been made under and shall be construed in accordance with the laws of the State of New York.

Each of the undersigned hereby authorizes the Bank to date this note as of the day the loan evidenced hereby is made, to correct patent errors herein and at its option, to cause the signatures of one or more co-makers to be added without notice to any prior obligor.

RECEIPT OF A COPY OF THIS NOTE, APPROPRIATELY FILLED IN, IS
ACKNOWLEDGED BY THE BORROWER

	FULL SIGNATURE	COMPLETE ADDRESSES
BORROWER	_____	_____
WIFE OR HUSBAND OF BORROWER AS CO-MAKER	_____	_____
CO-MAKER	_____	_____
CO-MAKER	_____	_____

B

The Citibank Plain Language Promissory Note

Chapter 3 explains how and why Citibank replaced the promissory note in Appendix A with the plain language note below. (This version is not identical to the note Citibank uses today.)

In the section captioned **Security**, a bank employee would put a check mark in any circle relevant to the loan.

Consumer Loan Note

(In this note, the words **I, me, mine** and **my** mean each and all of those who signed it. The words **you, your** and **yours** mean First National City Bank.)

Terms of Repayment

To repay my loan, I promise to pay you _____ Dollars (\$_____). I'll pay this sum at one of your branches in _____ uninterrupted _____ installments of \$ _____ each. Payments will be due _____, starting from the date the loan is made.

Here's the breakdown of my payments:

1. Amount of the Loan \$ _____
2. Property Insurance Premium \$ _____
3. Filing Fee for Security Interest \$ _____
4. Amount Financed (1+2+3) \$ _____
5. **Finance Charge** \$ _____
6. Total of Payments (4+5) \$ _____

Annual Percentage Rate _____ %

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Prepayment of Whole Note	Even though I needn't pay more than the fixed installments, I have the right to prepay the whole outstanding amount of this note at any time. If I do, or if this loan is refinanced — that is, replaced by a new note — you will refund the unearned finance charge , figured by the rule of 78 — a commonly used formula for figuring rebates on installment loans. However, you can charge a minimum finance charge of \$10.
Late Charge	If I fall more than 10 days behind in paying an installment, I promise to pay a late charge of 5% of the overdue installment, but no more than \$5. However, the sum total of late charges on all installments can't be more than 2% of the total of payments or \$25, whichever is less.
Security	To protect you if I default on this or any other debt to you, I give you what is known as a security interest in my <input type="radio"/> Motor Vehicle and/ or _____ (see the Security Agreement I have given you for a full description of this property), <input type="radio"/> Stocks, <input type="radio"/> Bonds, <input type="radio"/> Savings Account (more fully described in the receipt you gave me today) and any account or other property of mine coming into your possession.
Insurance	I understand I must maintain property insurance on the property covered by the Security Agreement for its full insurable value, but I can buy this insurance through a person of my own choosing.
Default	I'll be in default: <ol style="list-style-type: none">1. If I don't pay an installment on time; or2. If any other creditor tries by legal process to take any money of mine in your possession. <p>You can then demand immediate payment of the balance of this note, minus the part of the finance charge which hasn't been earned figured by the rule of 78. You will also have other legal rights, for instance, the right to repossess, sell and apply security to the payments under this note and any other debts I may then owe you.</p>
Irregular Payments	You can accept late payments or partial payments, even though marked "payment in full", without losing any of your rights under this note.
Delay in Enforcement	You can delay enforcing any of your rights under this note without losing them.
Collection Costs	If I'm in default under this note and you demand full payment, I agree to pay you interest or the unpaid balance at the rate of 1% per month, after an allowance for the unearned finance charge . If you have to sue me, I also agree to pay your attorney's fees equal to 15% of the amount due, and court costs. But if I defend and the court decides I am right, I understand that you will pay my reasonable attorney's fees and the court costs.
Comakers	If I'm signing this note as a comaker, I agree to be equally responsible with the borrower. You don't have to notify me that this note hasn't been paid. You can change the terms of payment and release any security without notifying or releasing me from responsibility on this note.
Copy Received	The borrower acknowledges receipt of a completely filled in copy of this note.

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	Signatures	Addresses
Borrower:	_____	_____
Comaker:	_____	_____
Comaker:	_____	_____
Comaker:	_____	_____

Hot Line If something should happen and you can't pay on time, please call us immediately at (212) 559-3061.

