

Lender: **ABC Bank**  
Borrower: **Johnny Go Lightly and Tread Lightly, husband and wife**  
Property: **123 Sunset Drive, Dallas, Texas 75205**  
Order Number: **201210220128**

**PeirsonPatterson, LLP**  
**Loan Transmittal Memorandum**

**www.ppdocs.com**

**NOTE TO TITLE COMPANY: PeirsonPatterson's fee will not change if our warranty deed is not used or is not provided. PeirsonPatterson still needs to review the deed unless this *review* is waived by the lender.**

This loan package was prepared by: **Ambra Costner**

Comments:

**PLEASE REVIEW CLOSING PACKAGE FOR ACCURACY AND COMPLETION. THANK YOU!**

**Attorney Invoice**

**PeirsonPatterson, LLP**

2310 Interstate 20 W, Suite 100  
 Arlington, TX 76017  
 Phone: (817) 461-5500 Fax: (817) 856-6060

Invoice To: Jen Ben  
 Texas Title  
 200 Commerce Street, Suite 123  
 Fort Worth, TX 76107  
 Phone: (817) 555-5555 Fax:  
 GF Number:

Date	Order #	Description	Amount
10/22/2012	201210220128	For professional services in connection with the preparation of real estate documents.	\$325.00

**Lender:**  
 ABC Bank  
 2310 W Interstate 20, 100  
 Arlington, TX 76017  
 Phone: (817) 461-5500 Fax:  
 Closer: Ambra Costner  
 Loan # 1111

**Property:**  
 123 Sunset Drive  
 Dallas, TX 75205

**Borrower(s):**  
 Johnny Go Lightly and Tread Lightly

TO INSURE PROPER CREDIT, PLEASE RETURN COPY OF INVOICE WITH REMITTANCE AND PLEASE REFERENCE OUR INVOICE NUMBER ON YOUR CHECK.

**MAKE CHECK PAYABLE TO: \* PeirsonPatterson, LLP. - ARLINGTON \*  
 DO NOT MAIL TO DALLAS - MAIL CHECK TO ARLINGTON**

The fee(s) on this invoice must be separately itemized on the closing statement and shown as a fee to the Lender's attorney. Please contact this office immediately should the transaction be cancelled so that our billing department can close this account. Please make your payment within three days following the closing.

Please do not staple checks to this invoice.  
 THANK YOU FOR YOUR BUSINESS.

To Settlement Agent:  
**Texas Title**  
**200 Commerce Street, Suite 123**  
**Fort Worth, TX 76107**  
 Attn: **Jen Ben**  
 Phone No.: **(817) 555-5555**  
 Fax No.:  
 Email: **jenben@whatever.com**

From Lender:  
**ABC Bank**  
**2310 W Interstate 20, 100**  
**Arlington, TX 76017**  
 Attn: **Ambra Costner**  
 Phone No.: **(817) 461-5500**  
 Fax No.:  
 Email: **ambra@ppdocs.com**

## Supplemental Closing Instructions

### SECTION I. LOAN INFORMATION

Borrower(s): **Johnny Go Lightly and Tread Lightly**  
 Property Address: **123 Sunset Drive, Dallas, TX 75205**  
 Loan Amount: **\$223,200.00**  
 Loan Type: **First Lien-Conventional-Two-Time Closing w/ Mod**

Loan # **1111**  
 GF No:  
 Order Number: **201210220128**  
 Invoice Number: **2-10-02981**  
 Initial Interest Rate: **5.500%**  
 Term of Loan: **6 months I/O**  
 Closing Date: **October 11, 2012**  
 Document Exp. Date: **November 11, 2012**  
 First Payment Date: **November 11, 2012**  
 Final Payment Date: **April 11, 2013**

### SECTION II. LOAN FEES AND ESCROWS

Settlement agent fees are provided as an estimate. Final settlement fees must comply with applicable federal laws, rules and regulations; and any applicable state laws or local ordinances.

#### A. Fees Paid at Closing.

The following fees must be indicated on the HUD-1 Settlement Statement. Collect same unless indicated as "POC" (Paid Outside Closing). Show all "POC"s as such on the HUD-1 Settlement Statement.

100. Gross Amount Due from Borrower		400. Gross Amount Due to Seller	
101. Contract sales price		401. Contract sales price	
102. Personal Property		402. Personal property	
103. Settlement charges to Borrower (line 1400)	\$5,531.00	403.	
104. Loan payoff	\$7,400.00	404.	
105.		405.	
106. City/town taxes to		406. City/town taxes to	
107. County taxes to		407. County taxes to	
108. Assessments to		408. Assessments to	
109. PAYABLE TO BUILDER	\$237,070.00	409.	
110.		410.	
111.		411.	
112.		412.	
120. Gross Amount Due From Borrower	\$250,001.00	420. Gross Amount Due To Seller	
200. Amounts Paid by or in Behalf of Borrower		500. Reductions in Amount Due to Seller	
201. Deposit or earnest money		501. Excess deposit (see instructions)	
202. Principal amount of new loan(s)	\$223,200.00	502. Settlement charges to seller (line 1400)	
203. Existing loan(s) taken subject to		503. Existing loan(s) taken subject to	
204.		504. Payoff of first mortgage loan	
205.		505. Payoff of second mortgage loan	
206.		506.	
207.		507.	
208.		508.	
209.		509.	
210. City/town taxes to		510. City/town taxes to	
211. County taxes to		511. County taxes to	
212. Assessments to		512. Assessments to	
213.		513.	
214.		514.	
215.		515.	
216.		516.	
217.		517.	

Supplemental Closing Instructions

218.	
219.	
<b>300. Case at Settlement from/to Borrower</b>	
301. Gross amount due from borrower (line 120)	\$250,001.00
302. Less amounts paid by/for Borrower (line 220)	(\$223,200.00)
303. Cash <input checked="" type="checkbox"/> From <input type="checkbox"/> To Borrower	\$26,801.00

518.	
519.	
<b>600. Case at Settlement to/from Seller</b>	
601. Gross amount due to Seller (line 420)	\$0.00
602. Less reductions in amount due seller (line 520)	\$0.00
603. Cash <input checked="" type="checkbox"/> From <input type="checkbox"/> To Seller	\$0.00

<b>700. Total Real Estate Broker Fees</b>		Paid From Borrower's Funds at Settlement	Paid From Seller's Funds at Settlement
Division of commission (line 700) as follows:			
701.	\$0.00		
702.	\$0.00		
703.	Commission paid at settlement	\$0.00	\$0.00
704.		\$0.00	\$0.00

<b>800. Items Payable in Connection with Loan</b>			
801.	Our origination charge (Includes Origination Point 1.000% or \$2,232.00)	\$2,954.00	(GFE #1)
802.	Credit or charge for interest rate		
803.	Your adjusted origination charges	(GFE A)	\$2,954.00
804.	Appraisal fee to Appraisal Group	(GFE #3)	\$375.00
805.	Credit report to Credit Agency	(GFE #3)	\$19.00
806.	Tax service		
807.	Flood certification to Flood Group	(GFE #3)	\$21.00
808.	Document preparation to PeirsonPatterson, LLP \$325.00 (included in 801)	(GFE #1)	
809.			
810.			
811.			
812.			
813.			
814.			

<b>900. Items Required by Lender to Be Paid in Advance</b>			
901.	Daily interest charges from to @ \$ -0- /day		
902.	Mortgage insurance premium for 0 months		
903.	Homeowner's insurance for years		
904.			
905.			
906.			

<b>1000. Reserves Deposited with Lender</b>			
1001.	Initial deposit for your escrow account		
1002.	Homeowner's insurance		
1003.	Mortgage insurance		
1004.	Property taxes		
1005.			
1006.			
1007.			
1008.			
1009.			
1010.			

<b>1100. Title Charges</b>			
1101.	Title services and lender's title insurance to Texas Title	(GFE #4)	\$512.00
1102.	Settlement or closing fee to Texas Title	\$275.00	
1103.	Owner's title insurance to Texas Title	(GFE #5)	\$1,500.00
1104.	Lender's title insurance to Texas Title	\$200.00	
1105.	Lender's title policy limit \$223,200.00		
1106.	Owner's title policy limit \$245,000.00		
1107.	Agent's portion of the total title insurance premium	\$0.00	
1108.	Underwriter's portion of the total title insurance premium		
1109.			
1110.			
1111.			
1112.			

<b>1200. Government Recording and Transfer Charges</b>			
1201.	Government recording charges to Dallas County Clerk	(GFE #7)	\$150.00
1202.	Deed Mortgage \$150.00 Releases		
1203.	Transfer Taxes		
1204.	City/County tax/stamps Deed Mortgage		
1205.	State tax/stamps Deed Mortgage		
1206.			

**Supplemental Closing Instructions**

1300. Additional Settlement Charges		
1301. Additional services that you can shop for		
1302.		
1303.		
1304.		
1305.		
1306.		
1307.		

Comparison of Good Faith Estimate (GFE) and HUD-1 Charges	
Charges That Cannot Increase	HUD-1 Line Number
Our origination charge	# 801
Your credit or charge (points) for the specific interest rate chosen	# 802
Your adjusted origination charges	# 803
Transfer taxes	# 1203

Good Faith Estimate	HUD-1
\$2,954.00	\$2,954.00
\$0.00	\$0.00
\$2,954.00	\$2,954.00
\$0.00	\$0.00

Charges That in Total Cannot Increase More Than 10%	
Government recording charges	# 1201
Appraisal fee	# 804
Credit report	# 805
Flood certification	# 807
Title services and lender's title insurance	# 1101
Owner's title insurance	# 1103
<b>Total</b>	
<b>Increase between GFE and HUD-1 Charges</b>	

Good Faith Estimate	HUD-1
\$150.00	\$150.00
\$400.00	\$375.00
\$19.00	\$19.00
\$21.00	\$21.00
\$512.00	\$512.00
\$1,500.00	\$1,500.00
\$2,602.00	\$2,577.00
N/A	

Charges That Can Change	
Initial deposit for your escrow account	# 1001
Daily interest charges	# 901 \$33.6329 /day
Homeowner's insurance premium	# 903

Good Faith Estimate	HUD-1
\$0.00	\$0.00
\$0.00	\$0.00
\$0.00	\$0.00

### Loan Terms

Your initial loan amount is	\$223,200.00
Your loan term is	0.5 years
Your interest rate is	5.500%
Your initial monthly amount owed for principal, interest, and any mortgage insurance is	\$521.31 includes: <input type="checkbox"/> Principal <input checked="" type="checkbox"/> Interest <input type="checkbox"/> Mortgage Insurance
Can your interest rate rise?	<input checked="" type="checkbox"/> No. <input type="checkbox"/> Yes, it can rise to a maximum of ____%. The first change will be on _____ and can change again every _____ after _____. Every change date, your interest rate can increase or decrease by ____%. Over the life of the loan, your interest rate is guaranteed to never be lower than ____% or higher than ____%.
Even if you make payments on time, can your loan balance rise?	<input checked="" type="checkbox"/> No. <input type="checkbox"/> Yes, it can rise to a maximum of \$_____.
Even if you make payments on time, can your monthly amount owed for principal, interest, and mortgage insurance rise?	<input type="checkbox"/> No. <input checked="" type="checkbox"/> Yes, the first increase can be on November 11, 2012 and the monthly amount owed can rise to \$1,042.62. The maximum amount it can ever rise to is \$1,042.62.
Does your loan have a prepayment penalty?	<input checked="" type="checkbox"/> No. <input type="checkbox"/> Yes, your maximum prepayment penalty is \$_____.
Does your loan have a balloon payment?	<input type="checkbox"/> No. <input checked="" type="checkbox"/> Yes, you have a balloon payment of \$223,200.00 due in 0.5 years on April 11, 2013
Total monthly amount owed including escrow account payments	<input checked="" type="checkbox"/> You do not have a monthly escrow payment for items, such as property taxes and homeowner's insurance. You must pay these items directly yourself.  You have an additional monthly escrow payment of \$_____ that results in a total initial monthly amount owed of \$_____. This includes principal, interest, any mortgage insurance and any items checked below:  <input type="checkbox"/> Property taxes <input type="checkbox"/> Homeowner's insurance <input type="checkbox"/> Flood insurance <input type="checkbox"/> _____ <input type="checkbox"/> _____ <input type="checkbox"/> _____

### Supplemental Closing Instructions

Itemization of Our Origination Fee (Line 801)	
Loan origination fee to ABC Bank	\$2,232.00
Underwriting fee to ABC Bank	\$350.00
Attorney fee for docprep to PeirsonPatterson, LLP	\$325.00
Fraud Review to ABC Bank	\$47.00

Itemization of Title Services and Lender's Title Insurance (Line 1101)	
Tax Certification to Title Company	\$35.00
Guaranty Fee to Title Company	\$2.00

**B. Per Diem Interest and Escrows:**

Per Diem Interest is **not prepaid**. Do not collect per diem interest. Lender will bill Borrower(s) post closing.

Escrows Waived. Lender has waived the requirement for escrows on this loan.

**C. Issuance of Separate Checks:**

Lender requires the issuance of additional separate checks for the following, which have not been deducted from the loan proceeds.

- **Invoice number 2-10-02981 to PeirsonPatterson LLP. For professional services in connection with the preparation of real estate documents. \$325.00**

**SECTION III. LOAN DOCUMENTS**

We are enclosing the following documents in connection with the above-referenced loan. Do not allow anyone to execute the loan documents before the date indicated on the Note. ALL PAPERS MUST BE SIGNED AS THE LEGAL DOCUMENTATION HAS BEEN TYPED. IF YOU HAVE INFORMATION THAT THE TYPED NAMES OR OTHER FACTUAL INFORMATION ARE INCORRECT, PLEASE CONTACT LENDER IMMEDIATELY. All documents requiring execution in the presence of a notary public shall be so executed, and this notary shall complete the proper notary acknowledgment and affix the proper seal to such documents. If there is any question as to the identity of the person executing any document, the responsibility of determining that person's identity is that of the notary public and the Settlement Agent. No corrections, erasures, changes or substitutions may be made to the documents without Lender's prior written approval. Such documents are conditionally delivered to Settlement Agent only for loan settlement and should under no circumstances leave Settlement Agent's possession or control except for delivery to Lender unless Settlement Agent is in receipt of written instructions otherwise from Lender. Powers of Attorney are not allowed unless specifically approved in writing by Lender. If you have information that the typed names are incorrect, please contact Lender immediately. Please follow the respective instructions for the disposition of each document.

Loan Transmittal Memorandum

Attorney Invoice Return with payment to PeirsonPatterson, LLP. @ 2310 W. Interstate-20, Suite 100, Arlington, Texas, 76017-1668.

Supplemental Closing Instructions Originals to be signed by Settlement Agent and returned to Lender.

Texas Notice of Penalties for Making False or Misleading Written Statement Borrower(s) must sign. Signatures must be acknowledged. Return Original(s) to Lender. Give Borrower(s) one (1) copy.

Master Closing Instructions (Texas) Originals to be signed by Settlement Agent and returned to Lender.

Truth in Lending Disclosure Statement Each Borrower must sign original counterpart prior to signing the Note and Security Instrument (Mortgage / Deed of Trust). Return Original and one (1) certified copy to Lender. Give each Borrower one (1) copy.

APR & Finance Charge Summary Give to Borrower(s).

Itemization of Amount Financed Borrower(s) must initial. Return original to Lender. Give One (1) copy to Borrower(s).

Multistate Fixed Rate Note IX Borrower(s) must sign Original and initial each page. Return Original and one (1) certified copy to Lender. Give Borrower(s) one (1) copy.

Construction Loan Allonge to Note (Fixed/Monthly Interest) Borrower(s) must sign. Return original to Lender. Give Borrower(s) one (1) copy.

Texas Conventional MERS Deed of Trust Form 3044 The indicated Borrower(s) must sign original Security Instrument (Mortgage / Deed of Trust). Obtain acknowledgements and file original. After recording, return original and one (1) certified copy to Lender. Give Borrower(s) one (1) copy.

Renewal & Extension Exhibit 1 (Mechanic's Lien Partial Transfer) Attach to Original Deed of Trust and file of record. Borrower(s) to initial. Return one (1) certified copy to Lender.

Construction Loan Rider to Deed of Trust Attach the rider to original Security Instrument (Mortgage / Deed of Trust) and file of record. Borrower(s) must sign. Return one (1) certified copy.

Multistate PUD Rider - Single Family - Fannie Mae/Freddie Mac UNIFORM INSTRUMENT Attach the rider to original Security Instrument (Mortgage / Deed of Trust) and file of record. Borrower(s) must sign. Return one (1) certified copy.

Request for Taxpayer Identification Number and Certification - Borrower 2 Each Borrower must complete and sign a separate W-9. Return Original(s) to Lender.

Request for Taxpayer Identification Number and Certification - Borrower 1 Each Borrower must complete and sign a separate W-9. Return Original(s) to Lender.

Borrower's Closing Affidavit Borrower(s) must sign and swear to the truth of the matter(s) stated. Signatures must be acknowledged. Return Original(s) to Lender. Give Borrower(s) one (1) copy.

Attorney Representation Notice Borrower(s) must sign. Return original to Lender. Give Borrower(s) one (1) copy.

Flood Insurance Coverage Subject to Possible Change Borrower(s) must sign. Return original to Lender. Give Borrower(s) one (1) copy.

Mortgage Fraud Warning FBI Borrower(s) must sign. Return original to Lender. Give Borrower(s) one (1) copy.

Multistate Initial Escrow Account Waiver Borrower(s) must sign. Return original to Lender. Give Borrower(s) one (1) copy.

Document Correction Agreement Borrower(s) must sign. Return original to Lender. Give Borrower(s) one (1) copy.

Appraisal Report Disclosure Borrower(s) must sign. Return original to Lender. Give Borrower(s) one (1) copy.

Appraisal Receipt Borrower(s) must complete date and name of appraiser if not already complete. Borrower(s) must sign. Return original to Lender. Give Borrower(s) one (1) copy.

Mineral Rights Acknowledgment Borrower(s) must sign. Return original to Lender. Give Borrower(s) one (1) copy.

Homeowner's Association Information and Acknowledgement Must indicate the dues are paid current and signed by all applicable Parties. Return original to Lender. Give Borrower(s) One (1) copy.

Add to CI - Subchapter K-TX Pro. Code Originals to be signed by Settlement Agent and returned to Lender.

**Supplemental Closing Instructions**

Residential Construction Note Contractor 1 The Residential Construction Note must be executed by the Borrowers and endorsed without recourse to the Lender by the Contractor. It must be returned to the Lender.

Residential Construction Contract (1) The Residential Construction Contract (With Assignment) must be executed by the Borrowers and the Contractor and filed of record in the county where the subject property is located. A certified copy of the original Residential Construction Contract must be returned to Lender.

Borrower's Acknowledgement of Texas Construction Compliance Procedures All indicated Parties must sign. Return original to Lender. Give each Party one (1) copy.

Construction Loan Agreement Lender/Borrower(s) must sign. Return original to Lender. Give Borrower(s) one (1) copy each.

Residential Construction Loan Borrower's Affidavit - One Time The executed and acknowledged original must be returned to Lender.

Res. Const. Contractor's Affidavit-Contractor 1 Builder/Contractor must sign. Signature must be acknowledged. Return original to Lender. Give Borrower(s) and Builder/Contractor one (1) copy.

Lender's Disbursement Statement Authorization Borrower(s) must sign. Return original to Lender. Give Borrower(s) one (1) copy.

Affidavit of Non-Commence All indicated Parties must sign. Return original to Lender. Give each Party one (1) copy.

Assignment and Transfer of Lien After obtaining and receiving executed Assignment and Transfer of Lien, file of record after Deed of Trust. Recorded original to Lender after recording.

TX Waiver of the List of Subcontractors and Suppliers Borrower(s) must sign. Return original to Lender. Give each Party one (1) copy.

Texas Deletion of Arbitration Provision Return unsigned to Lender for signature, unless signed original forwarded direct by Lender under separate cover.

Disclosure of Right to Receive a Copy of an Appraisal Borrower(s) must sign. Return original to Lender. Give Borrower(s) one (1) copy.

Collateral Protection Insurance Notice (Texas) Borrower(s) must sign. Return original to Lender. Give Borrower(s) one (1) copy.

Texas Consumer Complaint Process Notice (State Chartered Banks and Trusts) Borrower(s) must sign. Return original to Lender. Give Borrower(s) one (1) copy.

Notice of No Oral Agreements All Parties must sign. Return original to Lender. Give each Party one (1) copy.

Fair Credit Reporting Act Notice Borrower(s) must sign. Return original to Lender. Give Borrower(s) one (1) copy.

Final Bills Paid Affidavit and Waiver of Lien Upon completion of construction, all indicated Parties must sign. Return original to Lender. Give each Party one (1) copy.

Agreement to Provide Builder's Risk All indicated Parties must sign. Return original to Lender. Give each Party one (1) copy.

Certification and Authorization to Release Information Borrower(s) must sign. Return original to Lender. Give Borrower(s) one (1) copy.

Const. Loan Rider to Security Inst. (Multi) Attach the rider to original Security Instrument (Mortgage / Deed of Trust) and file of record. Borrower(s) must sign. Return one (1) certified copy.

Error & Omissions/Compliance Agreement Borrower(s) must sign and signature(s) notarized. Return original to Lender. Give Borrower(s) one (1) copy.

W-9 Cover Sheet

RESPA Servicing Disclosure Statement Borrower(s) must sign. Return original to Lender. Give Borrower(s) one (1) copy.

#### SECTION IV. ADDITIONAL REQUIREMENTS

##### Title Insurance.

**Texas Loan Policy of Title Insurance (T-2) ("Title Policy").** - to be issued in favor of Lender in accordance with the terms, conditions, coverages and exceptions set forth in the Commitment for Title Insurance ("Commitment") previously issued by Settlement Agent and its Underwriter and delivered to Lender in connection with this loan transaction, subject however, to the various deletions, changes, corrections, endorsements and other revisions thereto required by Lender which are listed below, all of which are to be reflected in a revised Commitment to be issued and delivered to Lender prior to the date of Closing. The Title Policy (which shall be issued by Settlement Agent and its Underwriter and delivered to Lender not later than 10 days after the date of Closing) shall insure Lender that the lien(s) securing this loan is/are valid first lien(s) on the fee simple title to the real property described in the Commitment and as described in the Deed of Trust and other of the Loan Documents listed above and delivered herewith;

**Lender's Requirements.** Lender makes the following requirements ("Requirements") in connection with the issuance of the revised Commitment and the Title Policy, each such Requirement being equally applicable to both such forms when prepared and issued unless one or more of the following Requirements specifies to the contrary:

- \* The "insured" named in Schedule A must read: "[Lender's name as appearing in the Note] and each successor in ownership of the indebtedness secured by the insured mortgage except a successor who is an obligor under the provision of Section 12(c) of the Conditions and Stipulations;"
- \* The "Effective Date" on Schedule A must be the date the Deed of Trust is recorded;
- \* Fee simple title to the real property described in the Deed of Trust must be shown by the Title Policy to be vested in Borrower;
- \* There can be no exception for reversionary rights of any kind in Schedule B;
- \* There can be no exceptions in Schedule B for "parties in possession;"
- \* Item 2 of Schedule B must be modified to read "shortages in area;"
- \* Item 3 of Schedule B must be modified to read "and subsequent assessments, for prior years due to change in land usage or ownership," and must except only to taxes, assessments and stand-by fees for the current calendar year (if taxes for the current year are due and payable when the Closing occurs) and subsequent years, not yet due and payable;
- \* All curative matters in Schedule C of your Commitment shall be resolved to your satisfaction and not carried on as exceptions in the Title Policy;
- \* Provide all common and customary endorsements at Borrower's expense including any endorsements to remove any "pending disbursement" and/or "completion of improvements" exceptions that will later be removed upon completion of construction.
- \* Provide T-36 Environmental Protection Lien Endorsement to the Title Policy at Borrower's expense;
- \* As to any encroachment that is an exception or any exclusion to coverage with respect to minerals in either Schedule A, Item 2 or Schedule B in the Loan Policy of Title Insurance which falls under the provisions of Procedural Rule 50 of the MANUAL OF RULES, RATES AND FORMS FOR THE WRITING OF TITLE INSURANCE IN THE STATE OF TEXAS ("Texas Title Rules"), the Lender hereby requests that any such matter be insured by providing a T-19 Restrictions, Encroachments, Mineral Rights Endorsement at borrower's expenses. If provided, see Master Closing Instructions 4.13(p).

If, however, the title company does not issue the above-referenced T-19 Restrictions, Encroachments, Minerals Endorsement without amendment for any reason, Lender requests the title company to issue, as applicable and pursuant to Texas Title Rules P-5.1, and P-50.1, its Minerals and Surface Damage Endorsement (T-19.2) if the Property insured is one acre or less and is improved or intended to be improved for one-to-four family residential use. If the Property is improved or intended to be improved for office, industrial, retail, mixed use retail/residential or multifamily purposes, lender requests that the title company issue the Minerals and Surface Damage Endorsement (T-19.3). Please see Master Closing Instructions 4.13(i), 4.13(j), and 4.18.

- \* Delete Section 13 of the Conditions and Stipulations of the Loan Policy of Title Insurance relating to Arbitration.
- \* Provide T-38 Endorsement otherwise referred to as Mortgagee Policy of Title Insurance P-9.b(3) Endorsement to the Title Policy if applicable at Borrower's expense;
- \* Provide T-17 PUD endorsement to the Mortgagee's Title Policy at the Borrower's expense.

**Corrected Title Commitment.** In addition to the requirements contained in the Master Closing Instructions, if provided, the Commitment must be amended as follows: (WE REQUIRE THE FOLLOWING ITEMS WITHIN TWENTY-FOUR HOURS OF THE EXECUTION OF THE DOCUMENTATION.)

**Schedule A: Reflect our Loan Amount of \$223,200.00.**

**Schedule A: Proposed Insured to read "ABC Bank", its successors and/or assigns".**

**Schedule A: Borrower(s) name(s) to read exactly as Legal Documents are drawn.**

**Schedule A: Legal Description MUST match exactly on Survey, Title Commitment and Legal Documents.**

**Schedule B: Reflect Survey and Tax deletions. Guarantee all taxes are paid current. If 2012 tax bills are available, collect and pay at closing and reflect 2013 taxes not yet due and payable.**

**Schedule C: Clear ALL Items. All Liens MUST be paid in full and transfer #6. Show LENDER in first lien position.**

**STRICTLY ADHERE TO THE MASTER CLOSING INSTRUCTIONS.**

**Provide an amended, original and countersigned Title Commitment, updated within 30 days of closing.**

**Provide all applicable Endorsements @ Borrower's expense.**

**Provide a full T-19 endorsement without deletion.**

**Guarantee all HOA dues are paid current and all liens are subordinate to our 1st lien.**

**Borrower's HUD-1 Settlement Statement.** HUD-1 must reference SETTLEMENT AGENT NAME, ADDRESS and PHONE NUMBER in Section H "Settlement Agent" and at least SETTLEMENT AGENT ADDRESS in "Place of Settlement" box. Three (3) certified copies. The Borrower(s) cannot receive any credit against the Sales Price for repairs or any other matter(s) without Lender's specific approval. Must reflect the name and address, including zip code of the Borrower(s), the Lender and the Settlement Agent.

**Tax Certificates.** Provide Lender with one (1) certified copy.

**Lender's Privacy Requirements.** Maintaining public confidence is important to the success and well-being of Lender. Additionally, Lender is bound by certain state and federal laws and regulations that require Lender and Lender's employees to transact business mindful that information shall be properly safeguarded. These closing instructions hereby put Settlement Agent on notice that the laws, regulations and safeguards that apply to Lender and its employees equally apply to vendors, agents and service providers [VASPs] of Lender. In conducting the business of Lender, certain customer information is obtained, used, created, stored and disposed. It is expected and required that all persons or entities with access to Lender's customer information shall keep that information confidential. VASPs are not authorized to access Lender's customer information except as is minimally necessary to complete assigned work. VASPs are not to make unauthorized copies of customer information. VASPs are not to discuss customer information with anyone other than authorized persons. Casual conversation about customers and customer information is prohibited and should be avoided even with other VASPs or Lender employees. VASPs shall not sell or otherwise share any customer information with any third party persons or companies. It is understood by Settlement Agent that Lender's customer information shall only be obtained, used, stored and disposed by methods and means that are necessary and permitted in order to conduct the business of Lender and Settlement Agent. All such access shall be in a safe guarded manner consistent with Lender's business practices and generally accepted professional business standards.

**Other Items:**

- **Borrower(s) must complete Social Security Number(s) or Tax ID number on any applicable documents.**
- **Provide any and all other state specific documents necessary to properly close and insure this transaction.**
- **HUD-1 must reference SETTLEMENT AGENT NAME, ADDRESS and PHONE NUMBER in Section H "Settlement Agent" and at least SETTLEMENT AGENT ADDRESS in "Place of Settlement" box.**
- **According to information provided to Lender, settlement agent will charge Borrower(s) an escrow fee of \$275.00 and a wire/courier/Fed-X fee (to meet Lender's requirements) of \$0.00. Do not increase or decrease these fees without Lender's prior written consent. These fees have been included as a prepaid finance charge in Borrower(s)' Truth in Lending Disclosure.**
- **Verify all liens against subject property are paid in full and released.**

**SECTION V: LOAN FUNDING**

All papers must be signed as the legal documentation has been typed. If you have information that the typed names or other factual information are incorrect, please contact Lender immediately. All fees and charges required to be paid and known by Settlement Agent must be reflected on the Settlement Statement. The Settlement Statement must be faxed to Lender for approval prior to Closing. After Lender approval, no charges or fees can be added to the Settlement Statement without lender's written consent. The loan must close and fund by the Document Expiration Date indicated on page one of these Instructions. Do not file the Deed of Trust prior to Lender's funding authorization. The Closing of this loan is contingent upon the Sales Price captioned herein being true and correct. Should you have information indicating a lesser Sales Price or any secondary financing not shown above, do not close this loan and contact Lender immediately.

The escrow agent shall prepare the HUD-1 Settlement Statement in accordance with these instructions and provide it to us for our approval at least 24 hours before the real estate settlement transaction is closed. Then, the escrow agent shall close the transaction and disburse funds only in accordance with the approved HUD-1 Settlement Statement. If any party to the transaction requests that his/her funds be disbursed in any manner different from the approved HUD-1, the escrow agent shall advise us of the request and obtain prior approval from us before any funds are disbursed in a manner different from the approved HUD-1 Settlement Statement.

SUBJECT TO ANY LIMITATIONS IMPOSED BY PROCEDURAL RULE P-35 OF THE BASIC MANUAL OF TITLE INSURANCE IN THE STATE OF TEXAS, THE UNDERSIGNED AS AUTHORIZED AGENT FOR SETTLEMENT AGENT HEREBY ACKNOWLEDGES RECEIPT OF AND AGREES TO FOLLOW ALL THE TERMS CONTAINED IN THESE SUPPLEMENTAL CLOSING INSTRUCTIONS, THE COMMITMENT FOR TITLE INSURANCE ISSUED FOR THIS LOAN AND THE MASTER CLOSING INSTRUCTIONS WHICH ARE INCORPORATED HEREIN BY REFERENCE PRIOR TO THE REQUEST FOR LOAN FUNDING, UNLESS OTHERWISE AUTHORIZED HEREIN. THIS ACKNOWLEDGEMENT DOES NOT OTHERWISE IMPLY A CERTIFICATION OR GUARANTY OF FACT, INSURANCE COVERAGE OR CONCLUSION OF LAW.

**Texas Title**

By: \_\_\_\_\_

**Settlement Agent Signature**

[ORIGINAL SIGNATURE, NOT STAMP, REQUIRED AS A CONDITION OF FUNDING.]

---

**Supplemental Closing Instructions**



## Texas Notice of Penalties for Making False or Misleading Written Statement

Loan # 1111

### **Warning:**

Intentionally or knowingly making a materially false or misleading written statement to obtain property or credit, including a mortgage loan, is a violation of Section 32.32, Texas Penal Code, and, depending on the amount of the loan or value of the property, is punishable by imprisonment for a term of 2 years to 99 years and a fine not to exceed \$10,000.

I/we, the undersigned home loan applicant(s), represent that I/we have received, read, and understand this notice of penalties for making a materially false or misleading written statement to obtain a home loan.

I/we represent that all statements and representations contained in my/our written home loan application, including statements or representations regarding my/our **identity, employment, annual income, and intent to occupy the residential real property** secured by the home loan, are true and correct as of the date of loan closing.

\_\_\_\_\_  
Signature Date  
**Johnny Go Lightly**

\_\_\_\_\_  
Signature Date  
**Tread Lightly**

*[Sign Originals Only]*

STATE OF TEXAS  
COUNTY OF \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ by **Johnny Go Lightly and Tread Lightly**.

\_\_\_\_\_  
Notary Public  
Printed Name: \_\_\_\_\_  
My commission expires: \_\_\_\_\_

# MASTER CLOSING INSTRUCTIONS

Loan # 1111

**These Master Closing Instructions are for closing the loan referenced in the Supplemental Closing Instructions. Do not proceed unless you accept full responsibility for following these instructions. All Master and Supplemental Closing Instructions must be strictly followed. Do Not Close The Loan Otherwise. Have any questions answered prior to commencement of closing. Any modifications must be in writing and signed by the Lender. SETTLEMENT AGENT IS NOT AUTHORIZED TO MAKE ANY CHANGES ON THE NOTE, SECURITY INSTRUMENT OR TRUTH-IN-LENDING DISCLOSURE STATEMENT. THE DOCUMENTS MUST BE REORDERED BY THE LENDER.**

If any ambiguities, obvious errors, or questions arise in connection with the loan or any matter contained in the Master or Supplemental Closing Instructions, the Closing Coordinator specified in the Supplemental Closing Instructions must be contacted prior to closing. The Settlement Agent will be liable for losses incurred by the Lender as a result of the agent closing the loan with knowledge that errors were contained in any documents or instructions. If the Settlement Agent determines that the loan cannot be closed in accordance with these Master Closing Instructions, do not proceed to closing without further instructions from the Lender. An attempt has been made to provide complete and correct forms necessary to close the loan. However, if any required forms are missing, obviously incorrect, or obsolete, contact the Lender.

## 1. FRAUD PREVENTION.

- 1.1 Settlement Agent has special knowledge that the Lender cannot obtain from any other source. Lender is relying on Settlement Agent to communicate any material information, such as, by way of example, an adverse change of the value or title of the property, changes to the sales contract (if purchase), changes to the financing, bankruptcy, or enforcement of creditor's rights are material to Lender. If Settlement Agent receives any such material information, the Settlement Agent shall suspend loan closing and immediately disclose the information to Lender.
- 1.2 If Settlement Agent has knowledge that anyone in Settlement Agent's office is a party to the transaction, is a family member or relative of any of the parties to the transaction, or has a conflict of interest, obtain Lender's written consent before closing.
- 1.3 If Settlement Agent has reason to believe there is a fraud or scheme related to the transaction, Settlement Agent shall suspend loan closing and immediately contact Lender.
- 1.4 Information related to the Borrower, Seller, Real Estate Broker, Builder, Mortgage Broker, Title Insurer, Settlement Agent, or property may be a material inducement to Lender for making the loan. If Settlement Agent knows any party to the transaction made a material misstatement or discovers a falsehood, Settlement Agent shall suspend the closing and immediately contact the Lender.
- 1.5 If Settlement Agent has knowledge or belief that any document has been tampered with, falsely generated, bears an incorrect or falsified date, bears different names and addresses for the same party, bears a fictitious name, or a party's handwriting is inconsistent throughout the file, suspend closing and immediately contact the Lender.
- 1.6 If the Borrower or Seller appear to be coerced, under undue influence, or lack capacity to

understand the transaction, suspend closing and immediately contact the Lender.

- 1.7 The Borrower(s) must appear to be able to read the loan documents and the nature of the transaction.
- 1.8 To comply with the US Patriot Act, the Bank Secrecy Act, and regulations promulgated by the Secretary of the Treasury, Lender has established a customer identification program. The reason for this program is to ascertain and verify the Borrower's, and any Signatory's, true identity. To this end, and because the Settlement Agent has face-to-face contact with the Borrower, perform the following activities for each Borrower and Signatory:
  - (a) explain to the Borrower that information is being obtained to verify identity;
  - (b) complete the Identity Affidavit, either electronically or manually, in accordance with the instructions accompanying it;
  - (c) for U.S. residents, obtain a copy of an **unexpired** government-issued identification that bears a photograph or similar safeguard;
  - (d) for non-U.S. residents, obtain a copy of one or more of the following: a copy of an **unexpired** government-issued document evidencing nationality or residence and bearing a photograph; and/or an **unexpired** passport with passport number and country of issuance; and/or an **unexpired** alien identification card;
  - (e) if a customer is unable to produce an unexpired form of identification, contact the Lender for assistance in independently verifying the true identity of the customer;
  - (f) for corporations, partnerships, trusts, and other persons that are not individuals, obtain from the state of incorporation certification of good standing and a copy of the authorizing resolution duly certified by a corporate official, a government-issued business license, Partnership Agreement, or Trust Agreement;
  - (g) if Settlement Agent cannot form a reasonable belief that the true identity of the Borrower is known, suspend closing and immediately contact the Lender; and
  - (h) include in the closing package returned to Lender copies of all identifying information provided by the Borrower, copies of all documents relied on to establish the Borrower's true identity, and any documents pertaining to the resolution of any discrepancy in the identifying information obtained.
- 1.9 Settlement Agent must obtain Borrower's acknowledgement supplied by Lender, that no third party is paying the Borrower to lend credit or identity to the transaction.
- 1.10 If Settlement Agent has knowledge that there is, or will be, a "silent second mortgage" placed on the property, or that any monies Borrower is required to pay or deposit at closing are not from the Borrower's own funds or a bona fide gift, the Settlement Agent shall suspend loan closing and immediately contact Lender.
- 1.11 Settlement Agent is only to accept Borrower funds from Borrower's deposited accounts in the financial institutions verified and disclosed on Fannie Mae Form 1003, Freddie Mac Form 65, or from the account and institution specified elsewhere in these Closing Instructions. Settlement Agent must verify the source of funds; if Borrower funds come from a different institution or an out-of-state institution, suspend closing and immediately contact Lender.
- 1.12 All funds must pass through escrow and should be noted on the HUD-1 Settlement Statement. Copies of down payment checks or funds needed to close must be sent to Lender. The name and

address on the deposit check must match Borrower's name and address.

- 1.13 If the property has been subject to a closing within one year of the current transaction, Settlement Agent is to contact Lender and obtain Lender's written consent to close. Settlement Agent must obtain Lender's written consent to close if there have been any transfers of the property within the last 180 days.
- 1.14 If this is an owner-occupied property transaction and Settlement Agent has knowledge of the Borrower owning and occupying another residence not subject to sale, or that the Borrower does not intend to occupy the property, the Settlement Agent shall obtain the written consent of Lender.
- 1.15 If the Mortgage Broker and the property Seller are the same, or the Settlement Agent has knowledge that are owned or controlled by the same person, do not proceed with closing and immediately contact Lender.
- 1.16 Immediately inform the Lender if the Borrower had a former interest in the property, or if other parties to the transaction such as the Real Estate Agent, Mortgage Broker, Appraiser, or Settlement Agent had an interest in the property.
- 1.17 If a business entity is acting as the Seller, confirm that the Borrower does not control, and is not related to, the Owner or the Seller.
- 1.18 If this is a purchase transaction, have Borrower confirm a property inspection has occurred on form supplied by Lender; if no real estate commission is payable, provide the Lender with an explanation if the sales contract provides otherwise.
- 1.19 If the real estate commission appears excessive for the market area, contact the Lender prior to closing.
- 1.20 All Borrowers must execute IRS Form 4506.
- 1.21 Confirm the preliminary Title Commitment or Binder is correct for insuring purposes, or issue a corrected Title Commitment or Binder to Lender. Immediately contact the Lender if the owner, as shown on the Title Commitment, is different from the Seller on the Purchase Contract. The sale must not be subject to Seller acquiring title.
- 1.22 Settlement Agent must be an approved agent with the Title Insurer whose name appears on the Title Commitment and Binder.
- 1.23 If there are material or significant changes to the sales price or the escrow, Lender must approve the same prior to closing. Confirm the sales price on the contract matches the sales price on the HUD-1 Settlement Statement.
- 1.24 If the property tax assessment is less than or greater than 10% of the sales price, contact Lender, if other than new home sale.
- 1.25 Contact Lender immediately if there are any unusual payouts denoted on the Seller's column on the HUD-1 Settlement Statement.

- 1.26 Settlement Agent must sign the HUD-1 or HUD-1A Settlement Statement.
  - 1.27 Settlement Agent must sign the Closing Instructions to acknowledge receipt and to affirm that the Settlement Agent has read, understood and accepts all conditions of conducting the settlement.
  - 1.28 Borrower must sign all verification documents and certify that the information in the verifications is accurate.
  - 1.29 Settlement Agent must return recordable documents and the final Title Policy in a timely manner, but no later than 30 days from the date of closing. Failure to deliver these documents in a timely manner will result in a claim being filed with the Title Insurer.
  - 1.30 Do not allow the Borrower to sign any document containing blanks.
  - 1.31 If actual settlement charges on the HUD-1 Settlement Statement exceed the Good Faith Estimate supplied at closing by 10% or more, contact the Lender prior to closing.
  - 1.32 If the legal documents are incomplete or inconsistent with other information in the mortgage file, immediately contact the Lender.
  - 1.33 Ensure all documents have proper signatures.
  - 1.34 **The escrow agent shall prepare the HUD-1 Settlement Statement in accordance with these instructions and provide it to us for our approval at least 24 hours before the real estate settlement transaction is closed. Then, the escrow agent shall close the transaction and disburse funds only in accordance with the approved HUD-1 Settlement Statement. If any party to the transaction requests that his/her funds be disbursed in any manner different from the approved HUD-1, the escrow agent shall advise us of the request and obtain prior approval from us before any funds are disbursed in a manner different from the approved HUD-1 Settlement Statement.**
2. **INSURED CLOSING.** Request is hereby made pursuant to Article 9.49 of the Texas Insurance Code that an Insured Closing Service Letter in the form authorized by the State Board of Insurance be issued in connection with the closing and settlement of the loan closing through an agent for a title insurance company authorized to do business in the State of Texas. All Settlement Agents should confirm that such a letter is on file with the Lender before closing the loan.
  3. **CLOSE AS INSTRUCTED AND REQUIRED.** As Settlement Agent, you must close the transaction in strict accordance with these Closing Instructions. If this transaction involves a sale, all applicable terms and conditions of the sales contract furnished to Lender must be followed. Immediately advise the Lender if any of the sales contract provisions conflict with these Closing Instructions. Immediately advise the Lender of any recent (within the last year (1 year)) or impending change in ownership or material change in the sales price or valuation. Approval must be granted by the Lender prior to closing. Prior to request for funding, you must have written authorization from Lender approving any deviation from the Master and Supplemental Closing Instructions. No credits, debits, secondary financing, or third party contributions are allowed unless specifically authorized in the Supplemental Closing Instructions. All persons signing both the note and the deed of trust must be vested in title unless the Lender indicates that

an individual is acting pro forma or as a cosigner or guarantor.

4. **TITLE COMMITMENT AND POLICY.** The title policy must be written through the same company that issued the Commitment for Title Insurance (“Title Commitment”) previously furnished to the Lender. Lender’s loan documents have been prepared based upon the Title Commitment. If the Title Commitment does not comply with the following requirements, Settlement Agent must either (i) amend it, (ii) provide a new Title Commitment, or (iii) agree to provide Lender a subsequent Loan Title Policy (“Title Policy”) in accordance with the following requirements:

4.1 The date of the Title Commitment may not be more than ninety (90) days before the settlement date. If the Title Commitment has expired, do not close the loan, and contact the Lender immediately. The Title Commitment must have an authorized counter signature.

4.2 The Title Policy must insure a first and superior deed of trust lien. The Short Form Residential Mortgage Policy (T-2R) may be issued if available and requested by the Lender. Procedural Rule P-51 regulates the Title Policy.

4.3 The “Proposed Insured” must read exactly as Lender’s loan documents, with the following additional phrase:

**If a Conventional Loan:** “And each successor in ownership of the indebtedness secured by the insured mortgage except a successor who is an obligor under the provisions of Section 12(C) of the Conditions and Stipulations.”

**If an FHA Loan:** “And/or the Secretary of Housing and Urban Development of Washington, D.C., and each successor in ownership of the indebtedness secured by the insured mortgage except a successor who is an obligor under the provisions of Section 12(C) of the Conditions and Stipulations.”

**If a VA Loan:** “And/or the Administrator of Veterans Affairs, an Officer of the United States of America, and each successor in ownership of the indebtedness secured by the insured mortgage except a successor who is an obligor under the provisions of Section 12(C) of the Conditions and Stipulations.”

**If a Texas Veteran Land Board Loan:** “And/Or the Veteran Land Board of TEXAS, and each successor in ownership of the indebtedness secured by the insured mortgager except a successor who is an obligor under the provisions of Section 12(C) of the Conditions and Stipulations.”

4.4 The amount of the coverage in the Title Policy should at least equal the loan amount indicated in the Supplemental Closing Instructions. If the loan has either capitalized interest or negative amortization, the coverage should equal the highest outstanding balance indicated in the loan documents, not to exceed one hundred twenty-five percent (125%) of the original principal amount.

4.5 “Title to the estate or interest in land is insured as vested in” in the Title Policy (Loan Policy of Title Insurance) must exactly match the Borrower’s name(s) indicated on the loan documents.

4.6 The legal description in the Title Policy must conform to the loan documentation and the survey.

- 4.7 The “estate or interest in land that is insured as encumbered by the insured mortgage” stated in the Title Policy (Loan Policy of Title Insurance) must read FEE SIMPLE unless provided otherwise in the Supplemental Closing Instructions. The Title Policy (Loan Policy of Title Insurance) must insure against any loss or damage sustained or incurred by reason of a lack of a right of access to and from the land. Any easements providing access to the property must be insured as part of the estate, and not shown as an exception on Schedule “B.”
- 4.8 Item 2 of Schedule “B” must read “shortages in area.”
- 4.9 The portion of Schedule “B,” Number 5, which refers to “subsequent taxes and assessments by any taxing authority for prior years due to change in land usage or ownership” must be deleted pursuant to Procedural Rule P-20 and Rate Rule R-19. The following language “Company insures that standby fees, taxes, and assessments by any taxing authority for the applicable year are not yet due and payable.” must be added to the standard tax exception, pursuant to Procedural Rule P-29 and Rate R-24. The Borrower should pay the expense associated with such coverage.
- 4.10 Any easement, encroachment, and right-of-way or restriction constituting an exception must be specifically described on Schedule “B.” Any easement or right-of-way indicated on Schedule “B” must be located on the survey unless Lender approves otherwise. If the survey does not show easements which are on the Title Commitment, either (i) remove said item(s) from Title Commitment or (ii) have surveyor locate and identify on amended survey and obtain Lender’s approval of said location. A surveyor’s letter is not sufficient in lieu of removing the exception.
- 4.11 Remove any “visible and apparent” or similar exception to coverage. Remove any “rights to parties in possession,” “tenants in possession,” or similar exceptions to coverage unless such exception has been specifically authorized in the Supplemental Closing Instructions.
- 4.12 All items mentioned on Schedule “C” of the Title Commitment must be disposed of prior to requesting funding authorization. By disbursing the loan funds, Settlement Agent certifies to Lender that all matters disclosed on Schedule “C” will be paid or disposed of to the satisfaction of the title insurer prior to the date of the issuance of the Title Policy, and that no exceptions for any item on Schedule “C” will be contained therein.
- 4.13 TLTA Endorsements: Provide all appropriate endorsements and collect all corresponding premiums and expenses from among the following, as promulgated by the Texas Department of Insurance in the currently effective “Basic Manual of Rules, Rates, and Forms for the Writing of Title Insurance in the State of Texas”:
- (a) T-2R Short Form Residential Policy of Title
  - (b) T-3 General Endorsement
  - (c) T-4R Residential Leasehold Endorsement
  - (d) T-5 Leasehold Mortgagee Policy Endorsement
  - (e) T-13 Mortgagee Title Policy Binder on Interim Construction Loan
  - (f) T-16 Mortgagee Policy Aggregation Endorsement
  - (g) T-17 Planned Unit Development Endorsement
  - (h) T-19 Restrictions, Encroachments, Minerals Endorsement
  - (i) T-19.2 Minerals and Surface Damage Endorsement
  - (j) T-19.3 Minerals and Surface Damage Endorsement
  - (k) T-30 Tax Deletion Endorsement

- (l) T-31 Manufactured Housing Endorsement
  - (m) T-31.1 Supplemental Coverage Manufactured Housing Unit Endorsement
  - (n) T-33 Adjustable Mortgage Loan Endorsement
  - (o) T-35 Revolving Credit Endorsement
  - (p) T-36 Environmental Protection Lien Endorsement
  - (q) T-38 Mortgage Policy of Title Insurance P-9.b.(3) Endorsement Form
  - (r) T-39 Balloon Mortgage Endorsement
  - (s) T-42 Equity Loan Mortgage Endorsement
  - (t) T-42.1 Supplemental Coverage Equity Loan Mortgage Endorsement
  - (u) T-43 Texas Reverse Mortgage Endorsement
  - (v) T-47 Residential Real Property Affidavit
- 4.14 (a) If the Title Commitment references any restrictions containing homeowners association dues, maintenance charges, and/or assessment language, Lender requires that such lien(s) be itemized and shown in Schedule “B.” The Settlement Agent must obtain a letter signed by a representative of the homeowners association, or appropriate entity, indicating that there are no past due homeowners association fees, maintenance charges or assessments.
- (b) If the maintenance charge or assessment is not subordinated to the Lender’s lien, do not close the loan without Lender’s written authorization. If Lender authorizes the closing, obtain a letter from the appropriate entity agreeing to provide Lender or its assigns with notice of any default or unpaid dues, charges or fees. In addition, the holder of any superior encumbrance must agree in writing to provide the Lender or its assigns with sixty (60) days advance notice (at Lender’s address as set forth in the deed of trust or a different address if so provided) of any pending sale, foreclosure action, or litigation regarding the property.
- 4.15 Unless provided to the contrary in the Supplemental Closing Instructions, the property may not be located on a private road, and there may not be any limitations or conditions affecting access to a public road.
- 4.16 Without Lender approval, no exceptions may be taken for adverse possession claims, bankruptcies, fraudulent transfers, filed lis pendens claims, unpaid liens or assessments. Provided that an acceptable survey is furnished to the Settlement Agent, **no exception may be taken** for any titles or rights asserted by anyone to tidelands; or lands comprising the shores or beds of navigable or perennial rivers and streams, lakes, bays, gulfs or oceans; or to any land extending from the line of mean low tide to the line of vegetation; or to lands beyond the line of the harbor or bulkhead lines as established or changed by any government; or to filled-in lands; or artificial islands; or to riparian rights; or the rights or interests of the State of Texas or the public generally in the area extending from the line of mean low tide to the line of vegetation or their right of access, thereto, or right of easement along and across the same without locating a vegetation line on the survey without obtaining Lender’s written consent to closing the transaction. Any inspection fees required for such coverage must be paid by the Borrower.
- 4.17 If a Title Policy (Loan Policy of Title Insurance) is issued to include the cost of immediately contemplated improvements, an exception may be made for any and all liens arising by reason of unpaid bills or claims for work performed or materials furnished in connection with improvements to be placed on the property. An exception may also be taken for “pending disbursements.” Upon completion of the improvements, the owner’s acceptance thereof and



satisfactory evidence that all bills for labor and materials have been paid, those exceptions must be eliminated from the Title Policy, and mechanics' and materialmen's lien coverage amended by issuance of the appropriate endorsement, the cost of which shall be paid by the Borrower. In no other event are such exceptions acceptable. If a satisfactory survey is required, after completion of the contemplated improvements to provide the survey coverage provided in Procedural Rules P-16 and P-2, then collect the cost of obtaining such survey from the Borrower at closing.

- 4.18 If, pursuant to Rule P-5.1 of the Basic Manual of Rules, Rates and Forms for the Writing of Title Insurance in the State of Texas ("Texas Title Rules"), either an exclusion to coverage is made in Schedule A, Item 2 or an exception to coverage is made in Schedule B, the lender hereby requests pursuant to Rule P-50.1 of the Texas Title Rules for the title company to issue its Minerals and Surface Damage Endorsement (T-19.2) if the Property insured is one acre or less and is improved or intended to be improved for one-to-four family residential use. If the Property is improved or intended to be improved for office, industrial, retail, mixed use retail/residential or multifamily purposes, lender requests that the title company issue the Minerals and Surface Damage Endorsement (T-19.3).
  - 4.19 If a mineral lease term has expired, no exception may be made for mineral leases. If the lease term is still in effect, there must be a designated drilling site or an Affidavit of Non-Production must be signed by the seller/owner of the property.
  - 4.20 If an exception is being taken for a joint drive-way, or party or common wall agreement filed of record, the agreement must be approved by Lender prior to closing.
  - 4.21 The effective date of the Title Policy must be the date of the recording of the security instrument(s). If any documents must be re-recorded, the Settlement Agent agrees to provide an endorsement showing both the original and re-recorded documents.
  - 4.22 In the refinance of homestead property, the Title Policy must not take exception to outstanding liens, which must be paid in full. The outstanding principal balance, including accrued but unpaid interest on an existing mechanic's lien or deed of trust, must not be less than Lender's loan amount excluding financed closing costs. Any balance owing at the time of closing on the existing lien which is being renewed and extended must be paid in full.
  - 4.23 If the Owner's Title Policy is rejected by Borrower, the Borrower must sign a rejection statement acknowledging that the Mortgage Title Policy does not provide title insurance to the Borrower.
  - 4.24 **NO REVERSIONARY INTEREST, RIGHTS OF FIRST REFUSAL, OR RIGHTS OF RE-ENTRY THAT COULD RESULT IN A FORFEITURE OF TITLE OR ANY PART OF TITLE TO THE PROPERTY WHICH IS NOT SUBORDINATED TO LENDER'S INSURED LIEN ARE ALLOWED.**
  - 4.25 Delete Section 13 of the Conditions and Stipulations relating to arbitration.
  - 4.26 **Title Policy must be received by Lender no later than 30 days from date of closing.**
5. **SURVEY REQUIREMENTS.** On all loans covering individual units and approved PUDs, one (1) original location survey certified by a licensed surveyor will be required prior to issuing closing papers.

The following survey requirements must be met:

- 5.1 Survey must be no more than 120 days old as of the date of closing.
  - 5.2 Survey must show the location of buildings, driveways, fences, easements, encroachments, setback lines, beginning point, relation to adjacent properties and street intersections, north point, surveyor's original seal, lot and block number, recorded map information and indicate where property abuts public street with permanent access.
  - 5.3 Survey must contain certification by surveyor as to whether property is located in a flood hazard area. If survey indicates flood insurance is required, refer to paragraph on Flood Insurance Requirements. If survey does not contain certification as to flood insurance, a separate certification must be furnished from the surveyor.
  - 5.4 If the survey shows a discrepancy from the property description of more than 2% in the front lot line or 5% in any other lot line, or a change in the description from that appearing in the Supplemental Closing Instructions, you should obtain the Lender's approval prior to closing.
  - 5.5 The Survey must show the name of the Borrower.
  - 5.6 For Condominium Loans, a copy of the recorded map showing the location of the unit is required in lieu of a Survey.
6. **HAZARD INSURANCE.** A comprehensive Texas Homeowner's Form-B policy insuring the property in an amount at least equal to the loan amount is required.
- 6.1 The original hazard insurance policy with the first year's premium paid receipt must be obtained by Settlement Agent prior to disbursement. Binders are not acceptable unless: (a) (i) issued by a "licensed local recording agent" (as defined by of the Texas Insurance Code), who has been (ii) appointed to represent and (iii) authorized to issue binders by the insurance company whose name appears on the binder, and (iv) such agent has furnished appropriate evidence to the Lender confirming (i) through (iii) above;  
(b) the binder is accompanied by evidence of payment of the required premium; and (c) the binder will be replaced by an original insurance policy for the required coverage within 30 days of the date of issuance of the binder. The property's legal description, street address, city, county, state, zip, and Borrower's name indicated on the hazard insurance binder and hazard insurance policy must be identical to that contained within the loan documents. Unless instructed otherwise in the Supplemental Closing Instructions, the mortgagee clause of the binder and hazard insurance policy should exactly match the name and address of Lender indicated in the deed of trust, unless a different Lender name and address is specified in the Supplemental Closing Instructions. Additionally, the loan number must be included on the binder and hazard insurance policy. If any errors are found, the Settlement Agent agrees to obtain, prior to funding, a binder or endorsement correcting such error.
  - 6.2 The Settlement Agent must confirm that the hazard insurance obtained by the Borrower is through a company acceptable to the Lender prior to closing. The binder and policy inception date must be on or before the date of the loan documents. The binder and policy must be signed by the insuring agent, and not contain any coinsurance clauses.

- 6.3 On condominium units, provide an original Certificate of Insurance with the original signature of the insuring agent. The certificate must be dated prior to or on the date of disbursement.
- 6.4 Lender does not escrow for hazard insurance for condominium loans, but will require the Settlement Agent to obtain: (i) an endorsement showing that the condominium unit (property) is included in the condominium association's master fire insurance policy; (ii) an acceptable endorsement adding Lender to the mortgagee clause; (iii) evidence of fidelity insurance on the Owners Association; and (iv) evidence that the policy was in effect on or before the date of the loan documents.
7. **FLOOD INSURANCE.** If any portion of the property is located within a Flood Hazard Area (Zone A or V), flood insurance is required.
- 7.1 Either the original flood insurance policy or a copy of the application, along with the paid receipt for the first year's premium, must be obtained before disbursement. The insured amount should be the lesser of the loan amount or maximum amount obtainable.
- 7.2 The property's legal description, street address, city, county, state, zip, and Borrower's name indicated on the flood insurance policy must be identical to that contained within the loan documents. The mortgagee clause of the flood insurance policy (unless instructed otherwise in the Supplemental Closing Instructions) must exactly match the name and address of Lender indicated in the deed of trust.
8. **TRUTH-IN-LENDING.** All closings are subject to compliance with the Truth-in-Lending Act and Regulation Z, as amended. The Settlement Agent is expected to be familiar with Regulation Z. As required under the Truth-in-Lending Act and Regulation Z, a Disclosure Statement with estimates has been delivered to the Borrower(s) within three (3) days of loan application. It is the Lender's practice to make a new Truth-in-Lending Disclosure Statement at closing, based on exact figures. If the closing will take place on a day other than that set forth in the Truth-in-Lending Disclosure Statement, call the Closing Coordinator for correct figures and information. Prior to consummation, a copy of the Truth-in-Lending Disclosure Statement must be provided to the Borrower(s) for keeping by the Borrower(s). The completed Truth-in-Lending Disclosure Statement must be signed by the Borrower(s) at closing prior to the execution of any of the other documents. The Borrower(s) must be given a copy of this Disclosure Statement. Contact the Closing Department if any portion of the Truth-in-Lending Disclosure Statement appears to be inaccurate.

**RIGHT OF RESCISSION:** When a loan is closed to refinance a lien on the Borrower's primary residence, the Borrower has the right to rescind the transaction until midnight of the third business day following the signing of all closing documents. **The Settlement Agent is not authorized to accept a rescission on behalf of the Lender, unless required by state law.**

**Three (3) business days prior to disbursement of the loan,** the Settlement Agent shall give a completed copy of the security instrument and two (2) copies of the Notice of Right of Rescission to each obligor (and each person holding an ownership interest in the property subject to the security interest). If an Election Not to Cancel or Rescind was provided, it must be signed and dated by each obligor after three (3) business days have elapsed, then the disbursement of the loan may be completed. The Notice of Right of Rescission forms containing the executed Election Not to Cancel or Rescind must be forwarded to the Lender with the other closing documents. **The rescission period may not be waived unless approved in writing by the Lender.**

If any of the Signatories elect to rescind the transaction, do not disburse funds. **Take no further action except** to immediately notify the Lender and return loan proceeds. Right of Rescission forms, where applicable, should be completed, executed, and enclosed with the loan document package.

9. **TERMITE CERTIFICATION.** A wood destroying insect report authorized in the jurisdiction in which the property is located, signed by the inspector, and showing no active infestation or proof of treatment for the property which does show active infestation must be furnished prior to closing for homes over one (1) year old. A Termite Soil Treatment Guarantee must be furnished prior to closing for newly constructed homes (one (1) year and under). **Applicable only if requested in Supplemental Closing Instructions Section IV. Additional Requirements.**
  - 9.1 All structures on the property, including any detached garage, must be inspected. The report must not be more than ninety (90) days old and must contain a certification that the property is “free from evidence of active infestation, infection or adverse conditions.”
  - 9.2 On Conventional, FHA and VA insured loans, the Borrower must sign the Texas Wood Destroying Insect Report.
10. **HUD-1 SETTLEMENT STATEMENT.** Furnish three (3) certified copies of the HUD-1 Settlement Statement with original signatures by Borrower, Seller and Settlement Agent.
  - 10.1 The HUD-1 Settlement Statement form promulgated by the U.S. Department of Housing and Urban Development with a certification that it reflects an accurate statement of all receipts and disbursements must be used in all transactions (including refinance loans). For loan with no Seller, use the HUD-1A Settlement Statement form.
  - 10.2 The HUD-1 or HUD-1A Settlement Statement must be typed. The type of loan, general file number, loan or process number, and mortgagee insurance case number, if applicable, must be indicated. The correct name and address, including street, city, county, state, and zip code must be shown for Borrower, Seller, Lender and Settlement Agent. The settlement date should be the date that the security instrument/deed of trust becomes effective as between the Borrower and the Lender. The date funding is authorized by the Lender must also be shown.
  - 10.3 Recording fees must itemize the charges for each instrument being recorded. Property taxes must be broken down for each taxing authority paid. If taxes are assessed at an unimproved and improved rate during the tax year, indicate on the HUD-1 Settlement Statement the charges as follows: “Unimproved taxes for \_\_\_ months at \$ \_\_\_\_\_; and improved taxes for \_\_\_ months at \$ \_\_\_\_\_.”
  - 10.4 All settlement charges listed on page 2 of the HUD-1 Settlement Statement must show the party to whom the charge is paid. All POCs (Paid Outside of Closing items) must be shown on the HUD-1 Settlement Statement. Unless indicated otherwise in the Supplemental Closing Instructions, collect per diem interest from the date of funding authorization (not the date of execution of the documents) up to and including the end of the month in which the loan closed. Do not collect per diem interest for the first day of the month following the closing. Interest charges must be accurately reflected in the HUD-1 Settlement Statement. If necessary, amend and initial the statement to reflect the correct funding date, interest amount due, and totals.

10.5 Borrower(s) must pay all recurring closing costs (i.e., “prepaids”) at closing on FHA and conventional loans. Recurring closing costs include prorated and escrow reserves for taxes, initial premium and escrow reserves for hazard insurance, flood insurance and mortgage insurance premiums and per diem interest. On VA transactions, and only if specified in the sales contract, the Seller is allowed to pay for Borrower’s prepaid items. Regardless of any contrary statement in these Master Closing Instructions, on FHA and VA loans, Borrower must not be allowed to pay more than the government allowed closing costs. If you have any doubt or question regarding what is an appropriate FHA or VA closing cost, please contact the Lender. On FHA and VA refinances, Borrower must at least pay the prepaids IN CASH at closing. If escrow accounts are waived, there must be a hazard insurance policy for twelve (12) months (with a paid receipt) in effect at closing.

10.6 Unless instructed otherwise in the Supplemental Closing Instructions, collect the following prepaids:

- (a) Property tax escrow: Collect from October 1<sup>st</sup> through the month of closing, plus two (2) months escrow reserve. Prorate taxes between the Borrower/Buyer and Seller according to the terms of their sales contract.
  - (i) New construction — If assessed value is available, collect pro rata amount based on improved basis, otherwise base proration on estimate.
  - (ii) Existing structure — If available, collect pro rata amount based on current assessed value, otherwise use prior year’s taxes for estimate.
- (b) First year’s hazard insurance premium plus two (2) months for escrow reserve.

If the Lender has indicated an aggregate accounting adjustment, collect the following escrow items:

- (a) First year’s flood insurance premium plus two (2) months for escrow reserve.
- (b) First year’s mortgage insurance premium plus two (2) months for escrow reserve or FHA MIP indicated.
- (c) FHA MIP for transactions using periodic payments of mortgage insurance (i.e., condominium units) - collect the amount indicated in the Supplemental Closing Instructions.
- (d) Annual Assessments - If a homeowners association or municipal authority has not subordinated its lien, collect from date last paid through the settlement date plus two (2) months reserve.

10.7 The Settlement Agent responsible for closing the transaction must furnish a Form 1099 to the appropriate Internal Revenue Service Center reporting the gross proceeds of the sale and any other necessary information. The Lender will not report the transaction for the Settlement Agent.

11. **WARRANTY OF COMPLETION OF CONSTRUCTION.** If FHA or VA approves plans and specifications prior to beginning of construction, and inspects property during construction, the Warranty

of Completion of Construction in Substantial Conformity with Approved Plans and Specifications (VA Form 26-1859; HUD Form 92544) will be required. The name of the builder must be included in the specifications.

12. **ESCROW FOR COMPLETION.** No loan should close with funds escrowed for completion unless prior approval has been given. If approved, escrowed funds must be held by the Settlement Agent who will act as escrow agent. Requirements for escrow documentation will vary based on the type of loan.
13. **VA LOANS.** In addition to other closing requirements, the following will apply on VA loans:

**Vesting of Title:** The title encumbered with a VA loan must be vested **in the name of the veteran** or the veteran and spouse. If title is vested in any other manner, approval must be given by The Department of Veteran Affairs and the Lender's Closing Department prior to closing.

**VA Form 26-1820 (Report and Certification of Loan Disbursement):** This form will be required on each VA loan. The form must be completed accurately and signed by the veteran and the Lender or an officer of the Settlement Agent's firm. Be sure all blanks are completed.

14. **FHA LOANS.** In addition to other closing requirements, the following will apply on FHA loans:

**FHA Firm Commitment (FHA Form 92900-A):** The Mortgagors should read, then sign both copies in the space provided under the Borrower's Certificate. Care should be taken to ensure that the appropriate blocks and blanks have been completed prior to signing. All parties signing the note and/or taking title must sign. Names and initials of signers must be the same as shown at top of the Firm Commitment and other closing documents. No loan should close after the expiration date of the Firm Commitment. Any contingencies included in the commitment must be complied with prior to closing. **Both copies of the signed Firm Commitment must be returned with the closing documents.**

**NOTICE ON FHA LOANS: IF USING YOUR HUD-1 SETTLEMENT STATEMENT RATHER THAN THE ONE SENT WITH THIS CLOSING PACKAGE, BE SURE THE FOLLOWING LANGUAGE IS INCLUDED ON THE LAST PAGE:**

**Application for Commitment for Insurance Under the National Housing Act**

I have carefully read the HUD-1 Settlement Statement and to the best of my knowledge and belief, it is a true and accurate statement of all receipts and disbursements made on my account or by me in this transaction. I further certify that I have received a copy of the HUD-1 Settlement Statement.

\_\_\_\_\_  
Borrower

\_\_\_\_\_  
Seller

The HUD-1 Settlement Statement which I have prepared is a true and accurate account of this transaction. I have caused or will cause the funds to be disbursed in accordance with this statement.

\_\_\_\_\_  
Settlement Agent

\_\_\_\_\_  
Date

**Applicable to FHA Insured and VA Guaranteed Loans:**

**WARNING:** It is a crime to knowingly make false statements to the United States on this or any other similar form. Penalties upon conviction can include a fine or imprisonment. For details see Title 18 U.S. Code Section 1001 and Section 1010.

**BORROWERS CANNOT PAY COURIER/DELIVERY COSTS ON VA LOANS. THESE COSTS CANNOT APPEAR ON THE HUD-1 SETTLEMENT STATEMENT.**

15. **EXECUTION OF DOCUMENTATION.**

- 15.1 Settlement Agent must verify by pictorial identification the identity of all the parties (as more fully described in Section 1).
- 15.2 Lender requires prior notification of all powers of attorney to be used in the transaction. The Department of Veterans Affairs must approve any powers of attorney to be used in a VA-guaranteed transaction. If the use of a power of attorney is requested prior to documents being prepared, certified copies of the power of attorney for the Borrower must be reviewed and approved by the Lender. Original powers of attorney must be recorded in the same county(ies) as the security instrument is recorded, and returned to the Lender. In addition, if a durable power of attorney providing for third party indemnification is used, the power of attorney must also be recorded in the county in which the principal resides. The returned original(s) will be kept by the Lender. After closing, certified copies of all powers of attorney should be sent along with the rest of the loan package to the Lender.

Unless Lender authorizes in writing otherwise, any Power of Attorney used by a Borrower must meet the following requirements:

**BORROWER(S) POWER-OF-ATTORNEY (POA)**

A Power-of-Attorney (POA) is a written instrument authorizing an individual to act on a person's or entity's behalf as his/her/its agent or Attorney-in-Fact (AIF). The following rules apply when reviewing Borrower(s) POA document/signatures (also see attached sample POA):

1. POA must be signed by the Borrower(s) and name must match Borrower(s) name on Note;
2. POA must state the name of the designated AIF;
3. The designated AIF must be the same person signing the Note on behalf of the Borrower(s);
4. The effective date of the POA must be the day of or before the date of the Note (cannot be dated *after* Note date); and
5. POA must be property notarized.

The signature of an Attorney-in-Fact (AIF) is acceptable as long as "Attorney-in-Fact" (AIF) or "Power-of-Attorney" (POA) is indicated beside the AIF's printed or signed name and an acceptable matching POA document is received.

<b>PASS</b>
<u>Jane Smith as Attorney-in-Fact for Chris Jones pursuant to POA dated XX xx, XXXX</u> Chris Jones
<u>Chris Jones by Jane Smith, Attorney-in-Fact (or POA)</u> Chris Jones
<u>Chris Jones by Jane Smith, Attorney-in-Fact (or POA)</u> Chris Jones, by Jane Smith as his Attorney-in-Fact (or POA)
<u>Jane Smith, Attorney-in-Fact for Chris Jones</u> Chris Jones by Jane Smith as his Attorney-in-Fact (or POA)
<u>Jane Smith, Attorney-in-Fact (or POA)</u> Chris Jones
<u>Chris Jones by Jane Smith*</u> Chris Jones, by Jane Smith as his Attorney-in-Fact (or POA)
<u>Jane Smith*</u> Chris Jones, by Jane Smith as his Attorney-in-Fact (or POA)
<b>FAIL</b>
<u>Jane Smith</u> Chris Smith
<u>Jane Smith</u> Jane Smith, Attorney-in-Fact
<u>Chris Jones</u> Chris Jones by: Jane Smith, Attorney-in-Fact

\*While it is not always required to reflect AIF or POA on the signature line, it is strongly preferred.

Please use the following language for acknowledgments for individuals using a power of attorney:

This instrument was acknowledged before me on the \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_ by JANE SMITH AS ATTORNEY-IN-FACT FOR JOHN DOE.

- 15.3 The documents must be signed in the order indicated in the Supplemental Closing Instructions attached hereto. Specifically, all truth-in-lending disclosures, Texas state-specific disclosures and the Notice of No Oral Agreements **must be signed prior** to the note, deed of trust or other loan documents.
- 15.4 All documents and riders must be signed exactly as the name is typed. Do not make any deletions, amendments, erasures, strikeouts, or additions to the documents without Lender's approval. If possible, a deletion should be made by marking one line through the language to be deleted. If approved, said deletions, amendments, erasures, additions and/or strikeouts must be initialed by all parties required to sign that document. Pages of the note and deed of trust which



do not contain an original signature must be initialed by the Borrowers. Obtain the initials of an appropriate party on all other documents indicating a place for party initialing. Do not allow the Borrower to sign any documents containing blanks.

- 15.5 Acknowledgments should be dated on or after the date of document execution. Documents must not be signed or notarized prior to the date of the documents. **All documents must be signed and the transaction otherwise closed and funded prior to the “Document Expiration Date” indicated on the first page of the Supplemental Closing Instructions.** All notarized documents must bear the seal, expiration date and printed name of the notary, and be signed by the notary, in accordance with Texas law.
- 15.6 Record the Deed (with vendor’s lien assigned to Lender), if applicable, and any other documents required to vest title in the Borrower. If any excess funds are collected, but are not required to record or insure title, the funds must be returned to the party that paid the fees. Record the deed of trust (and assignment, concurrently, if applicable). Pay off, with loan proceeds if necessary, and obtain the release, discharge or reconveyance of all items shown on Schedule “C” of the Title Commitment.
- 15.7 Documents to be recorded in this transaction must be presented to the county clerk in the following order:
- (a) Power of Attorney
  - (b) Deed
  - (c) Deed of Trust (with any Rider(s))
  - (d) Assignment of Lien
  - (e) Supporting documents required to be filed
  - (f) Secondary financing (if any)
- 15.8 If a UCC-1 Financing Statement is included in the document package, it must be filed according to Uniform Commercial Code revised Article 9.

Settlement Agent must properly file the documents requested by Lender to be recorded, and obtain from Borrower and/or Seller the required filing fees. Any deed used in this transaction must be returned to the Borrower. Powers of attorney, the deed of trust, and any assignment of lien must be returned after recording to Lender or the party indicated by Lender.

16. **COPIES.** Unless more than one (1) copy is required by these Closing Instructions, each Borrower must be provided with one (1) copy of the note, deed of trust, rider(s) (if applicable), warranty deed (if applicable), survey, HUD-1 Settlement Statement, disclosures and all other documents required by the Lender or Settlement Agent to be signed by Borrower. Prior to funding approval, Settlement Agent must provide a certified copy of each restriction, easement, mineral reservation or lease, and each and every recorded item shown on Schedule “B” of the Title Commitment and deliver same to Lender unless specified otherwise in the Supplemental Closing Instructions. Lender must be provided with two (2) certified copies of all documents required as a condition of the loan closing. Do not bill the Lender for additional certified copies.
17. **FUNDING AND DISBURSEMENT.** After a satisfactory review, the loan will be funded pursuant to the procedure stated in the Supplemental Closing Instructions. The complete package is due in Lender’s office on the business day indicated in the Supplemental Closing Instructions.

Forward a check to Lender in an amount equal to the sum of all Lender fees and escrows which have not/or will not be deducted from Lender's funds, including the indicated monthly escrows and interest adjustment, less any refund items referenced. Indicate the amounts used for monthly prorations. Also, itemize the amounts being remitted to Lender on the check being sent to Lender or by separate letter. Directly pay all other items according to the Supplemental Closing Instructions and invoice(s). On the back of the HUD-1 (Line 205 for Borrower and Line 508 for Seller), show any "Escrows to Lender" as indicated above. If the recordable documents have not been recorded within 72 hours of disbursement of funds to you, or you are aware that the loan will not fund within 72 hours of disbursement of loan proceeds, you are responsible for contacting the Lender and returning the loan proceeds. You will be responsible for daily interest on these proceeds from the date of disbursement.

**THERE IS TO BE NO EXPENSE TO LENDER IN CONNECTION WITH THIS TRANSACTION, UNLESS SPECIFICALLY AUTHORIZED BY THE LENDER. THE LENDER RESERVES THE RIGHT TO CANCEL OR MODIFY THESE INSTRUCTIONS AT ANY TIME WITH PROPER WRITTEN NOTICE TO SETTLEMENT AGENT.**

**IF YOU ARE UNABLE TO CLOSE AND FUND THE LOAN AS SPECIFIED, CONTACT THE LENDER IMMEDIATELY.**

18. **LENDER'S PRIVACY REQUIREMENTS.** Maintaining public confidence is important to the success and well-being of Lender. Additionally, Lender is bound by certain state and federal laws and regulations that require Lender and Lender's employees to transact business mindful that information shall be properly safeguarded. These closing instructions hereby put Settlement Agent on notice that the laws, regulations and safeguards that apply to Lender and its employees equally apply to vendors, agents and service providers [VASPs] of Lender. In conducting the business of Lender, certain customer information is obtained, used, created, stored and disposed. It is expected and required that all persons or entities with access to Lender's customer information shall keep that information confidential. VASPs are not authorized access to Lender's customer information except as is minimally necessary to complete assigned work. VASPs are not to make unauthorized copies of customer information. VASPs are not to discuss customer information with anyone other than authorized persons. Casual conversation about customers and customer information is prohibited and should be avoided even with other VASPs or Lender employees. VASPs shall not sell or otherwise share any customer information with any third party persons or companies. It is understood by Settlement Agent that Lender's customer information shall only be obtained, used, stored and disposed by methods and means that are necessary and permitted in order to conduct the business of Lender and Settlement Agent. All such access shall be in a safe guarded manner consistent with Lender's business practices and generally accepted professional business standards.

**TRUTH-IN-LENDING DISCLOSURE STATEMENT**  
**(THIS IS NEITHER A CONTRACT NOR A COMMITMENT TO LEND)**

Version: 01/30/2011

<b>CREDITOR:</b>	ABC Bank 2310 W Interstate 20, 100 Arlington, TX 76017	<b>Loan Number:</b>	1111
<b>BORROWER(S):</b>	Johnny Go Lightly and Tread Lightly	<b>Closing Date:</b>	10/11/2012
<b>MAILING ADDRESS:</b>	123 Sunset Drive, Dallas, TX 75205	<b>Type of Loan:</b>	Conv
<b>PROPERTY ADDRESS:</b>	123 Sunset Drive, Dallas, TX 75205		

<b>ANNUAL PERCENTAGE RATE</b>	<b>FINANCE CHARGE</b>	<b>Amount Financed</b>	<b>Total of Payments</b>
The cost of your credit as a yearly rate	The dollar amount the credit will cost you	The amount of credit provided to you on your behalf	The amount you will have paid after you have made all payments as scheduled
<b>11.7530%(e)</b>	<b>\$6,347.59(e)</b>	<b>\$219,913.00(e)</b>	<b>\$226,260.59(e)</b>

**INTEREST RATE AND PAYMENT SUMMARY**

	<b>Rate &amp; Monthly Payment</b>
Interest Rate	5.500%
Principal Payment	-none-
Interest Payment	\$521.31
Est. Taxes + Insurance (Escrow)	N/A
<b>Total Est. Monthly Payment</b>	<b>\$521.31</b>

**You will have a balloon payment of \$223,200.00, plus any interest or charges due, on April 11, 2013**

**There is no guarantee that you will be able to refinance to lower your rate and payments.**

**CONSTRUCTION LOAN:** During construction period: Calculations are estimated using the assumption that one-half of the commitment amount is outstanding at the contract interest rate for the entire construction period, which is assumed to end April 11, 2013. You must pay interest due on the amount of credit outstanding monthly. One payment of \$223,200.00 principal plus accrued but unpaid interest will be paid on April 11, 2013.

**VARIABLE RATE FEATURE:** Your loan does not have a variable rate feature.

**SECURITY:** You are giving a security interest in the property located at:  
123 Sunset Drive, Dallas, TX 75205

**ASSUMPTION:** Someone buying the property cannot, unless otherwise provided by federal law, be allowed to assume the remainder of the loan on the original terms

**LATE CHARGE:** If your payment is more than 15 days late, you will be charged a late charge of 5.000% of the overdue payment.

**PREPAYMENT:** If you pay off early, you will not have to pay a penalty. You will not be entitled to a refund of

# TRUTH-IN-LENDING DISCLOSURE STATEMENT CONTINUED

part of the finance charge.

**DEMAND FEATURE:** N/A

**REQUIRED DEPOSIT:** N/A

**FILING / RECORDING FEES:** \$150.00(e)

**INSURANCE:** The following insurance is required to obtain credit:  
Property insurance  
You may obtain the insurance from anyone you want that is acceptable to Lender.

(e) means an estimate

**I/We have received these disclosures**

\_\_\_\_\_  
Signature Date  
**Johnny Go Lightly**

\_\_\_\_\_  
Signature Date  
**Tread Lightly**

*[Sign Originals Only]*

## APR & FINANCE CHARGE SUMMARY

**Lender:**  
**ABC Bank**  
**2310 W Interstate 20, 100**  
**Arlington, TX 76017**

**Closing:** 10/11/2012  
**Funding:** 10/11/2012  
**Loan Amount:** \$223,200.00  
**Loan Term:** 6  
**Note Rate:** 5.500%  
**Type of Loan:** Conventional  
**1st Payment:** 11/11/2012  
**Loan # 1111**

**Borrower(s):** Johnny Go Lightly and Tread Lightly  
**Mailing Address:** 123 Sunset Drive, Dallas, TX 75205  
**Property Address:** 123 Sunset Drive, Dallas, TX 75205

Annual Percentage Rate	Finance Charge (1)	Amount Financed (2)	Total of Payments (3)	Total Sales Price (4)
11.7530%(e)	\$6,347.59(e)	\$219,913.00	\$226,260.59(e)	

<b>1. Finance Charges:</b>	
Flood certification	21.00
Settlement or closing fee	275.00
Loan origination fee	2,232.00
Underwriting fee	350.00
Attorney fee for docprep	325.00
Fraud Review	47.00
Tax Certification	35.00
Guaranty Fee	2.00
Total Prepaid Finance Charges	3,287.00
Plus Interest for life of loan	3,060.59
<b>TOTAL FINANCE CHARGE</b>	<b>6,347.59</b>
<b>2. Calculation of Amount Financed:</b>	
Total Loan Amount	223,200.00
Less Prepaid Finance Charges	3,287.00
<b>TOTAL AMOUNT FINANCED</b>	<b>219,913.00</b>
<b>3. Calculation of Total of Payments:</b>	
Finance Charge	6,347.59
Plus Amount Financed	219,913.00
<b>TOTAL OF PAYMENTS</b>	<b>226,260.59</b>
<b>4. Calculation of Total Sales Price:</b>	
N/A	
<b>5. APR Tolerance</b>	
Disclosed APR	11.909%
Ending APR	11.753%
Difference	0.156%
Result	<b>IN TOLERANCE</b>

## AMOUNT FINANCED ITEMIZATION

LENDER:  
**ABC Bank**  
2310 W Interstate 20, 100  
Arlington, TX 76017

Date: **10/11/2012**  
Funding: **10/11/2012**

BORROWERS:  
**Johnny Go Lightly and Tread Lightly**

Mortgage Ins: **No**  
Loan Amount: **\$223,200.00**

ADDRESS:  
**123 Sunset Drive**  
**Dallas, TX 75205**

Loan Term: **6 months**  
Note Rate: **5.500%**

PROPERTY ADDRESS:  
**123 Sunset Drive, Dallas, TX 75205**

Type of Loan: **Conv**  
1<sup>st</sup> Payment: **11/11/2012**

**Loan # 1111**

SETTLEMENT AGENT MUST COMPLETE APPLICABLE BLANKS INDICATED WITH "\*" FOR ALL THIRD PARTY CHARGES PAID BY BORROWER AND SHOWN ON THE SETTLEMENT STATEMENT PRIOR TO BORROWER'S EXECUTION.

Itemization of the Amount Financed of **\$219,913.00** (per Truth in Lending)

\$ \_\_\_\_\_ \* Amount given to you directly  
\$ \_\_\_\_\_ \* Amount paid on your account

Amount(s) paid to others on your behalf (excluding Prepaid Finance Charges):

\$375.00	Appraisal fee to Appraisal Group
\$19.00	Credit report to Credit Agency
\$1,500.00	Owner's title insurance to Texas Title
\$200.00	Lender's title insurance to Texas Title
\$150.00	Government recording charges - Mortgage to Dallas County Clerk

Amount of Prepaid Finance Charges paid to other on your behalf:

\$21.00	Flood certification to Flood Group
\$275.00	Settlement or closing fee to Texas Title
\$2,232.00	Loan origination fee to ABC Bank
\$350.00	Underwriting fee to ABC Bank
\$325.00	Attorney fee for docprep to PeirsonPatterson, LLP
\$47.00	Fraud Review to ABC Bank
\$35.00	Tax Certification to Title Company
\$2.00	Guaranty Fee to Title Company

---

Itemization of Amount Financed

# NOTE

Loan # 1111

October 11, 2012  
[Date]

Fort Worth,  
[City]

TX  
[State]

123 Sunset Drive, Dallas, Texas 75205  
(Property Address)

## 1. BORROWER'S PROMISE TO PAY

In return for a loan that I have received, I promise to pay U.S. **\$223,200.00** (this amount is called "Principal"), plus interest, to the order of the Lender. The Lender is **ABC Bank**. I will make all payments under this Note in the form of cash, check or money order.

I understand that the Lender may transfer this Note. The 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 (To be determined in accordance with the attached Allonge to this Note).

The interest rate required by this Section 2 is the rate I will pay both before and after any default described in Section 6(B) of this Note.

## 3. PAYMENTS

### (A) Time and Place of Payments

I will pay principal and interest by making payments every month.

I will make my monthly payments on the (See attached Allonge to Note) day of each month beginning on (See attached Allonge to Note). 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 (See attached Allonge to Note), 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 **2310 W Interstate 20, 100 , Arlington , TX 76017** or at a different place if required by the Note Holder.

### (B) Amount of Monthly Payments

My monthly payment will be in the amount of U.S (See attached Allonge to Note).

## 4. 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 not designate a payment 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 a Prepayment charge. The Note Holder will use my Prepayments to reduce the amount of Principal that I owe under this Note. However, the Note Holder may apply my Prepayment to the accrued and unpaid interest on the Prepayment amount, before applying my Prepayment to reduce the Principal amount of the Note. If I make a partial Prepayment, there will be no changes in the due date or in the amount of my monthly payment unless the Note Holder agrees in writing to those changes.

## 5. 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 collected from me which 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.

## 6. BORROWER'S FAILURE TO PAY AS REQUIRED

### (A) Late Charge for Overdue Payments

If the Note Holder has not received the full amount of any monthly payment by the end of **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 **5.00%** 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 which 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 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 by applicable law. Those expenses include, for example, reasonable attorneys' fees.

## 7. 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 if I give the Note Holder a notice of my different address.

Any notice that must be given to the Note Holder under this Note will be given by delivering it or 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.

## 8. OBLIGATIONS OF PERSONS UNDER THIS NOTE

If more than 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 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 of 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.

## 9. 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.

**10. 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 which might result if I do not keep the promises which 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 are described as follows:

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.

If Lender exercises this option, 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 by this Security Instrument without further notice or demand on Borrower.

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

\_\_\_\_\_  
Signature Date  
**Johnny Go Lightly**

\_\_\_\_\_  
Signature Date  
**Tread Lightly**

*[Sign Originals Only]*

## Construction Loan Allonge to Note

THIS CONSTRUCTION LOAN ALLONGE is made this **Eleventh** day of **October, 2012**, and is incorporated into and shall be deemed to amend and supplement the Note of even date herewith executed by **Johnny Go Lightly and Tread Lightly, husband and wife** (the "Borrower") to **ABC Bank** (the "Lender") in the amount of **Two Hundred Twenty Three Thousand Two Hundred and 00/100** Dollars (U.S. **\$223,200.00**) Dollars (the "Note").

### ADDITIONAL COVENANTS

In addition to the covenants and agreements made in the Note, Borrower and Lender further covenant and agree as follows:

#### A. CONSTRUCTION/PERMANENT LOAN

The Note is for a combined construction and permanent loan. The Note shall be entitled to the benefits of the terms and conditions of that Residential Construction Loan Agreement of even date herewith (the "Loan Agreement"), which Agreement provides for periodic advances of the principal amount of the Note for the purpose of constructing or improving a residence on the real property securing the Note (the "Residence").

The Note represents a full or partial renewal, extension, and rearrangement, and not an extinguishment, of the new balance now owing and to be owing on that certain Residential Construction Note in the original principal amount of **\$237,070.00** and dated **October 11, 2012**, executed by Borrower, payable to the order of **Custom Homes, LLC** ("Contractor"), and which Note and the Liens securing same have this day been transferred and assigned to Lender. The Note is also secured by a Deed of Trust of even date herewith executed by Borrower and for the benefit of Lender.

#### B. INTEREST

Notwithstanding the terms and provisions of the Note, interest shall be calculated during the period (the "Construction Period") beginning on the date of the Note or the date on which Lender commences funding under the Note, whichever is later, and ending not later than **April 11, 2013** (the "Modification Date"), at a fixed rate equal to the lesser of (i) or (ii) as follows: (i) **5.500% (Five and One Half)** per annum; or (ii) the maximum lawful rate of interest permitted to be charged by the holder of the Note to Borrower under the laws of the State of Texas or the United States of America (whichever lawful rate is higher), and in regard to which Borrower would be prevented from successfully raising the claim or defense of usury under applicable law. All interest shall accrue and be payable **monthly**. To the extent permitted by applicable law, Lender, at its option, may either (i) compute the interest on the basis of the actual number of days in the year (365 or 366 as the case may be), or (ii) compute the interest as if each year had only 360 days. In no event, however, shall Lender compute the interest in a manner that would cause Lender to contract for, charge or receive interest that would exceed the Maximum Lawful Amount.

#### C. CONVERSION AT TIME OF COMPLETION

Borrower acknowledges and agrees that, upon the earlier of (i) completion of the construction or (ii) **April 11, 2013**, Borrower will be asked to sign a Loan Modification Agreement converting the Note to a permanent loan program at market interest rates and terms then prevailing at **ABC Bank**. Failure of Borrower to execute the Loan Modification Agreement and any other related documents requested by Lender within five business days from

---

Construction Loan Allonge to Note

the date of such request shall entitle Lender, at its discretion, to accelerate the Note and declare it immediately due and payable. At the time the Loan Modification Agreement is signed Borrower must pay all accrued but unpaid interest due and owing on the Note, plus interim interest from the date of modification through the first day of the immediately following month.

**D. DEFAULT DURING THE CONSTRUCTION PERIOD**

- a) Prior to the Modification Date, in the event a default shall have occurred, Lender may offset against the Note any sums owed by Lender to Borrower or any guarantor, and/or may proceed to protect and enforce its rights either by suit in equity and/or by action at law, or by other appropriate proceedings, whether for the specific performance of any covenant or agreement contained in the Note or in any documents executed in connection herewith, or in aid or the exercise of any power or right granted by the Note or the enforce any other legal or equitable right of Lender.
- b) Notwithstanding other provisions of the Note, Deed of Trust, or other instruments further evidencing and/or securing the Note, prior to the Modification Date, Borrower and all sureties, guarantors, and endorsers of the Note severally (i) waive all notices, demands, presentments for payment, notices of non-payment, notices of intention to accelerate the maturity, notices of acceleration, notices of dishonor, protest and notice of protest, diligence in collecting or bringing suit as to the Note and as to each, every, and all installments thereof and all obligations thereunder and against any party thereto and to the application of any payment on the obligation or as an offset thereto, and (ii) agree to all extensions, renewals, partial payments, substitutions, or evidence of indebtedness and the taking, release or substitution of all or any part of the therein described or referenced security or the release of any party liable thereon with or without notice before or after maturity. Borrower hereby expressly represents and warrants unto Lender that prior to the Modification Date and for purposes of Section 51.002 (d) of the Texas Property Code, the therein described property prior to the Modification Date shall not constitute Borrower's residence.
- c) It is expressly provided that upon default in the punctual payment of the Note or any part or installment thereof, principal or interest, as the same shall become due and payable, or in the performance of any warranty, covenant, or agreement, or other default under the terms of the Deed of Trust of even date given as security for the payment thereof, or under any other instrument granted to secure payment of the Note or executed in connection therewith (including the Loan Agreement), Lender may declare the then unpaid principal balance and accrued interest thereon immediately due and payable without notice, failure to accelerate the Note in the even of default shall not constitute a waiver on the part of Lender of the right to exercise the same at any other time. Borrower hereby reiterates all waivers previously given in the Note.
- d) Failure to complete construction of the Residence as described in the Loan Agreement by the Modification Date (the "Completion Date") shall constitute an event of default hereunder, under the Deed of Trust and under the Loan Agreement. Provided, however, so long as there exists no other event of default and on a one time basis only, Lender in its sole discretion may elect to extend the Completion Date and Modification Date to a date not more than ninety (90) days in the future to facilitate the completion of construction. In the event Lender makes such election to extend, Borrower shall be required to pay Lender an extension fee equal to one-quarter of one percent (0.25%) of the original principal amount of the Note, and the rate at which interest will accrue on the Note subsequent to the new Modification Date shall be mutually agreed upon by Borrower and Lender. Any such change in the interest rate shall be evidenced by written agreement executed by Borrower and Lender and such agreement (if applicable for the subject loan type) shall also reflect the ratable adjusted annual and lifetime interest rate limitations. Any amount of principal not advanced prior to the Modification Date (whether extended or not) may, in

---

Construction Loan Allonge to Note

the sole discretion of Lender, be funded into escrow with the closing title company on such Modification Date, and advances may be made out of such escrow after the Modification Date. Alternatively, any funds not advanced under the Loan Agreement upon completion of the construction of the Residence prior to the Modification Date (whether extended or not) may at Lender's option, be credited against the stated principal amount of the Note on such Modification Date. Any portion of a payment received in excess of interest due during the Construction Period shall be applied to principal.

- e) The occurrence of any of the matters described in this Section D may cause monthly payment amounts to change, the maturity date of the Note to change, or necessitate a redisclosure of certain aspects of the loan transaction. Borrower hereby agrees that upon the occurrence of any of the foregoing, Borrower at Lender's request will execute those documents that Lender deems necessary or appropriate to properly evidence any such changes. Borrower's failure to execute such document(s) reflecting any such changes shall constitute an event of default under the Note, Deed of Trust, and the Loan Agreement.

E. **NOTICE**

Except as may be required by applicable law, Lender will not provide Borrower notice of interest rate changes during the Construction Period.

F. **TRANSFER OF PROPERTY**

Any provision in the Note permitting the Borrower to transfer property that is security for the Note shall not be effective during the Construction Period. Unless prohibited by applicable law, any transfer of the property securing the Note during the Construction Period shall constitute a default.

G. **LATE CHARGE**

During the Construction Period, the Late Charge for Overdue Payments provision in Paragraph 6.(a) of the Note shall apply if the Note Holder has not received the full amount of any monthly payment by the end of fifteen (15) calendar days after the date the payment is due.

H. **CONFLICTS**

If any term or provision of this Allonge shall be in conflict with any term or provision of the Note, the term or provision of this Allonge shall control.

I. **TERMS**

Except as amended or supplemented hereby, the terms and provisions of the Note shall remain unchanged and in full force and effect.

After the advance of all funds as necessary to complete the construction of the Residence as described in the Loan Agreement or the Modification Date, whichever is later, this Allonge shall be null and void and of no further force or effect.

**“IMPORTANT NOTICE: You and your Contractor are responsible for meeting the terms and conditions of the Contract for Improvements (the “Contract”). If you sign the Contract and you fail to meet the terms and conditions of the Contract, you may lose your legal ownership in your home. KNOW YOUR RIGHTS**

**Construction Loan Allonge to Note**

**AND DUTIES UNDER THE LAW.”**

By signing below, Borrower accepts and agrees to the terms and covenants contained in this Construction Loan Allonge to Note.

\_\_\_\_\_  
Signature Date  
**Johnny Go Lightly**

\_\_\_\_\_  
Signature Date  
**Tread Lightly**

*[Sign Originals Only]*

After recording please mail to:  
**ABC Bank**  
**2310 W Interstate 20, 100**  
**Arlington, TX 76017**  
**Ambra Costner**

\_\_\_\_\_[Space Above This Line For Recording Data]\_\_\_\_\_

**NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.**

## **DEED OF TRUST**

**Loan # 1111**

### **DEFINITIONS**

Words used in multiple sections of this document are defined below and other words are defined in Sections 3, 11, 13, 18, 20 and 21. Certain rules regarding the usage of words used in this document are also provided in Section 16.

(A) **“Security Instrument”** means this document, which is dated **October 11, 2012**, together with all Riders to this document.

(B) **“Borrower”** is **Johnny Go Lightly and Tread Lightly, husband and wife**. Borrower is the grantor under this Security Instrument.

(C) **“Lender”** is **ABC Bank**. Lender is a **state bank** organized and existing under the laws of **Texas**. Lender’s address is **2310 W Interstate 20, 100, Arlington, TX 76017**. Lender includes any holder of the Note who is entitled to receive payments under the Note.

(D) **“Trustee”** is **Michael H. Patterson**. Trustee’s address is **2310 Interstate 20 W, Suite 100, Arlington, TX 76017**.

(E) **“MERS”** is **Mortgage Electronic Registration Systems, Inc.** MERS is a separate corporation that is acting solely as a nominee for Lender and Lender’s successors and assigns. **MERS is the beneficiary under this Security Instrument**. MERS is organized and existing under the laws of Delaware, and has an address and telephone number of P.O. Box 2026, Flint, MI 48501-2026, tel. (888) 679-MERS.

(F) **“Note”** means the promissory note signed by Borrower and dated **October 11, 2012**. The Note states that Borrower owes Lender **Two Hundred Twenty Three Thousand Two Hundred and 00/100** Dollars (U.S. **\$223,200.00**) plus interest. Borrower has promised to pay this debt in regular Periodic Payments and to pay the debt in full not later than **April 11, 2013**.

(G) **“Property”** means the property that is described below under the heading “Transfer of Rights in the Property.”

**(H) “Loan”** means the debt evidenced by the Note, plus interest, any prepayment charges and late charges due under the Note, and all sums due under this Security Instrument, plus interest.

**(I) “Riders”** means all Riders to this Security Instrument that are executed by Borrower. The following Riders are to be executed by Borrower [check box as applicable]:

- |  |  |  |
|--|--|--|
| <input type="checkbox"/> Adjustable Rate Rider | <input type="checkbox"/> Condominium Rider                         | <input type="checkbox"/> Second Home Rider                                   |
| <input type="checkbox"/> Balloon Rider         | <input checked="" type="checkbox"/> Planned Unit Development Rider | <input type="checkbox"/> Biweekly Payment Rider                              |
| <input type="checkbox"/> 1-4 Family Rider      | <input type="checkbox"/> Rate Improvement Rider                    | <input type="checkbox"/> Graduated Payment Rider                             |
| <input type="checkbox"/> VA Loan Rider         | <input type="checkbox"/> Manufactured Home Rider                   | <input checked="" type="checkbox"/> Other(s): <b>Construction Loan Rider</b> |

**(J) “Applicable Law”** means all controlling applicable federal, state and local statutes, regulations, ordinances and administrative rules and orders (that have the effect of law) as well as all applicable final, non-appealable judicial opinions.

**(K) “Community Association Dues, Fees, and Assessments”** means all dues, fees, assessments and other charges that are imposed on Borrower or the Property by a condominium association, homeowners association or similar organization.

**(L) “Electronic Funds Transfer”** means any transfer of funds, other than a transaction originated by check, draft, or similar paper instrument, which is initiated through an electronic terminal, telephonic instrument, computer, or magnetic tape so as to order, instruct, or authorize a financial institution to debit or credit an account. Such term includes, but is not limited to, point-of-sale transfers, automated teller machine transactions, transfers initiated by telephone, wire transfers, and automated clearinghouse transfers.

**(M) “Escrow Items”** means those items that are described in Section 3.

**(N) “Miscellaneous Proceeds”** means any compensation, settlement, award of damages, or proceeds paid by any third party (other than insurance proceeds paid under the coverages described in Section 5) for: (i) damage to, or destruction of, the Property; (ii) condemnation or other taking of all or any part of the Property; (iii) conveyance in lieu of condemnation; or (iv) misrepresentations of, or omissions as to, the value and/or condition of the Property.

**(O) “Mortgage Insurance”** means insurance protecting Lender against the nonpayment of, or default on, the Loan.

**(P) “Periodic Payment”** means the regularly scheduled amount due for (i) principal and interest under the Note, plus (ii) any amounts under Section 3 of this Security Instrument.

**(Q) “RESPA”** means the Real Estate Settlement Procedures Act (12 U.S.C. §2601 et seq.) and its implementing regulation, Regulation X (24 C.F.R. Part 3500), as they might be amended from time to time, or any additional or successor legislation or regulation that governs the same subject matter. As used in this Security Instrument, “RESPA” refers to all requirements and restrictions that are imposed in regard to a “federally related mortgage loan” even if the Loan does not qualify as a “federally related mortgage loan” under RESPA.

**(R) “Successor in Interest of Borrower”** means any party that has taken title to the Property, whether or not that party has assumed Borrower’s obligations under the Note and/or this Security Instrument.

**TRANSFER OF RIGHTS IN THE PROPERTY**

The beneficiary of this Security Instrument is MERS (solely as nominee for Lender and Lender’s successors and assigns) and the successors and assigns of MERS. This Security Instrument secures to Lender: (i) the repayment of the Loan, and all renewals, extensions and modifications of the Note; and (ii) the performance of Borrower’s covenants and agreements under this Security Instrument and the Note. For this purpose, Borrower irrevocably grants and conveys to Trustee, in trust, with power of sale, the following described property located in the **County** [Type of Recording Jurisdiction] Of **Dallas** [Name of Recording Jurisdiction]:

**LOT 1111, OF COUNTRY CLUB ESTATES, SECTION ELEVEN, A SUBDIVISION IN DALLAS COUNTY, TEXAS, ACCORDING TO THE MAP OR PLAT THEREOF RECORDED IN VOLUME 11, PAGE 11 OF THE PLAT RECORDS OF DALLAS COUNTY, TEXAS.**

which currently has the address of

**123 Sunset Drive, Dallas, Texas 75205**  
[“Property Address”]

TOGETHER WITH all the improvements now or hereafter erected on the property, and all easements, appurtenances, and fixtures now or hereafter a part of the property. All replacements and additions shall also be covered by this Security Instrument. All of the foregoing is referred to in this Security Instrument as the “Property.” Borrower understands and agrees that MERS holds only legal title to the interests granted by Borrower in this Security Instrument, but, if necessary to comply with law or custom, MERS (as nominee for Lender and Lender’s successors and assigns) has the right: to exercise any or all of those interests , including, but not limited to, the right to foreclose and sell the Property; and to take any action required of Lender including, but not limited to, releasing and canceling this Security Instrument.

BORROWER COVENANTS that Borrower is lawfully seised of the estate hereby conveyed and has the right to grant and convey the Property and that the Property is unencumbered, except for encumbrances of record. Borrower warrants and will defend generally the title to the Property against all claims and demands, subject to any encumbrances of record.

THIS SECURITY INSTRUMENT combines uniform covenants for national use and non-uniform covenants with limited variations by jurisdiction to constitute a uniform security instrument covering real property.

UNIFORM COVENANTS. Borrower and Lender covenant and agree as follows:

**1. Payment of Principal, Interest, Escrow Items, Prepayment Charges, and Late Charges.**

Borrower shall pay when due the principal of, and interest on, the debt evidenced by the Note and any prepayment charges and late charges due under the Note. Borrower shall also pay funds for Escrow Items pursuant to Section 3. Payments due under the Note and this Security Instrument shall be made in U.S. currency. However, if any check or other instrument received by Lender as payment under the Note or this Security Instrument is returned to Lender unpaid, Lender may require that any or all subsequent payments due under the Note and this Security Instrument be made in one or more of the following forms, as selected by Lender: (a) cash; (b) money order; (c) certified check, bank check, treasurer’s check or cashier’s check, provided any such check is drawn upon an institution whose deposits are insured by a federal agency, instrumentality, or entity; or (d) Electronic Funds Transfer.

Payments are deemed received by Lender when received at the location designated in the Note or at such other location as may be designated by Lender in accordance with the notice provisions in Section 15. Lender may return any payment or partial payment if the payment or partial payments are insufficient to bring the Loan current. Lender may accept any payment or partial payment insufficient to bring the Loan current, without waiver



of any rights hereunder or prejudice to its rights to refuse such payment or partial payments in the future, but Lender is not obligated to apply such payments at the time such payments are accepted. If each Periodic Payment is applied as of its scheduled due date, then Lender need not pay interest on unapplied funds. Lender may hold such unapplied funds until Borrower makes payment to bring the Loan current. If Borrower does not do so within a reasonable period of time, Lender shall either apply such funds or return them to Borrower. If not applied earlier, such funds will be applied to the outstanding principal balance under the Note immediately prior to foreclosure. No offset or claim which Borrower might have now or in the future against Lender shall relieve Borrower from making payments due under the Note and this Security Instrument or performing the covenants and agreements secured by this Security Instrument.

**2. Application of Payments or Proceeds.** Except as otherwise described in this Section 2, all payments accepted and applied by Lender shall be applied in the following order of priority: (a) interest due under the Note; (b) principal due under the Note; (c) amounts due under Section 3. Such payments shall be applied to each Periodic Payment in the order in which it became due. Any remaining amounts shall be applied first to late charges, second to any other amounts due under this Security Instrument, and then to reduce the principal balance of the Note.

If Lender receives a payment from Borrower for a delinquent Periodic Payment which includes a sufficient amount to pay any late charge due, the payment may be applied to the delinquent payment and the late charge. If more than one Periodic Payment is outstanding, Lender may apply any payment received from Borrower to the repayment of the Periodic Payments if, and to the extent that, each payment can be paid in full. To the extent that any excess exists after the payment is applied to the full payment of one or more Periodic Payments, such excess may be applied to any late charges due. Voluntary prepayments shall be applied first to any prepayment charges and then as described in the Note.

Any application of payments, insurance proceeds, or Miscellaneous Proceeds to principal due under the Note shall not extend or postpone the due date, or change the amount, of the Periodic Payments.

**3. Funds for Escrow Items.** Borrower shall pay to Lender on the day Periodic Payments are due under the Note, until the Note is paid in full, a sum (the "Funds") to provide for payment of amounts due for: (a) taxes and assessments and other items which can attain priority over this Security Instrument as a lien or encumbrance on the Property; (b) leasehold payments or ground rents on the Property, if any; (c) premiums for any and all insurance required by Lender under Section 5; and (d) Mortgage Insurance premiums, if any, or any sums payable by Borrower to Lender in lieu of the payment of Mortgage Insurance premiums in accordance with the provisions of Section 10. These items are called "Escrow Items." At origination or at any time during the term of the Loan, Lender may require that Community Association Dues, Fees, and Assessments, if any, be escrowed by Borrower, and such dues, fees and assessments shall be an Escrow Item. Borrower shall promptly furnish to Lender all notices of amounts to be paid under this Section. Borrower shall pay Lender the Funds for Escrow Items unless Lender waives Borrower's obligation to pay the Funds for any or all Escrow Items. Lender may waive Borrower's obligation to pay to Lender Funds for any or all Escrow Items at any time. Any such waiver may only be in writing. In the event of such waiver, Borrower shall pay directly, when and where payable, the amounts due for any Escrow Items for which payment of Funds has been waived by Lender and, if Lender requires, shall furnish to Lender receipts evidencing such payment within such time period as Lender may require. Borrower's obligation to make such payments and to provide receipts shall for all purposes be deemed to be a covenant and agreement contained in this Security Instrument, as the phrase "covenant and agreement" is used in Section 9. If Borrower is obligated to pay Escrow Items directly, pursuant to a waiver, and Borrower fails to pay the amount due for an Escrow Item, Lender may exercise its rights under Section 9 and pay such amount and Borrower shall then be obligated under Section 9 to repay to Lender any such amount. Lender may revoke the waiver as to any or all Escrow Items at any time by a notice given in accordance with Section 15 and, upon such revocation, Borrower shall pay to Lender all Funds, and in such amounts, that are then required under this Section 3.

Lender may, at any time, collect and hold Funds in an amount (a) sufficient to permit Lender to apply the Funds at the time specified under RESPA, and (b) not to exceed the maximum amount a lender can require under RESPA. Lender shall estimate the amount of Funds due on the basis of current data and reasonable estimates of expenditures of future Escrow Items or otherwise in accordance with Applicable Law.

The Funds shall be held in an institution whose deposits are insured by a federal agency, instrumentality, or entity (including Lender, if Lender is an institution whose deposits are so insured) or in any Federal Home Loan Bank. Lender shall apply the Funds to pay the Escrow Items no later than the time specified under RESPA. Lender shall not charge Borrower for holding and applying the Funds, annually analyzing the escrow account, or verifying the Escrow Items, unless Lender pays Borrower interest on the Funds and Applicable Law permits Lender to make such a charge. Unless an agreement is made in writing or Applicable Law requires interest to be paid on the Funds, Lender shall not be required to pay Borrower any interest or earnings on the Funds. Borrower and Lender can agree in writing, however, that interest shall be paid on the Funds. Lender shall give to Borrower, without charge, an annual accounting of the Funds as required by RESPA.

If there is a surplus of Funds held in escrow, as defined under RESPA, Lender shall account to Borrower for the excess funds in accordance with RESPA. If there is a shortage of Funds held in escrow, as defined under RESPA, Lender shall notify Borrower as required by RESPA, and Borrower shall pay to Lender the amount necessary to make up the shortage in accordance with RESPA, but in no more than 12 monthly payments. If there is a deficiency of Funds held in escrow, as defined under RESPA, Lender shall notify Borrower as required by RESPA, and Borrower shall pay to Lender the amount necessary to make up the deficiency in accordance with RESPA, but in no more than 12 monthly payments.

Upon payment in full of all sums secured by this Security Instrument, Lender shall promptly refund to Borrower any Funds held by Lender.

**4. Charges; Liens.** Borrower shall pay all taxes, assessments, charges, fines, and impositions attributable to the Property which can attain priority over this Security Instrument, leasehold payments or ground rents on the Property, if any, and Community Association Dues, Fees, and Assessments, if any. To the extent that these items are Escrow Items, Borrower shall pay them in the manner provided in Section 3.

Borrower shall promptly discharge any lien which has priority over this Security Instrument unless Borrower: (a) agrees in writing to the payment of the obligation secured by the lien in a manner acceptable to Lender, but only so long as Borrower is performing such agreement; (b) contests the lien in good faith by, or defends against enforcement of the lien in, legal proceedings which in Lender's opinion operate to prevent the enforcement of the lien while those proceedings are pending, but only until such proceedings are concluded; or (c) secures from the holder of the lien an agreement satisfactory to Lender subordinating the lien to this Security Instrument. If Lender determines that any part of the Property is subject to a lien which can attain priority over this Security Instrument, Lender may give Borrower a notice identifying the lien. Within 10 days of the date on which that notice is given, Borrower shall satisfy the lien or take one or more of the actions set forth above in this Section 4.

Lender may require Borrower to pay a one-time charge for a real estate tax verification and/or reporting service used by Lender in connection with this Loan.

**5. Property Insurance.** Borrower shall keep the improvements now existing or hereafter erected on the Property insured against loss by fire, hazards included within the term "extended coverage," and any other hazards including, but not limited to, earthquakes and floods, for which Lender requires insurance. This insurance shall be maintained in the amounts (including deductible levels) and for the periods that Lender requires. What Lender requires pursuant to the preceding sentences can change during the term of the Loan. The insurance carrier providing the insurance shall be chosen by Borrower subject to Lender's right to disapprove Borrower's choice, which right shall not be exercised unreasonably. Lender may require Borrower to pay, in connection with this Loan, either: (a) a one-time charge for flood zone determination, certification and tracking services; or (b) a one-time charge for flood zone determination and certification services and subsequent charges each time remappings or similar changes occur which reasonably might affect such determination or certification. Borrower shall also be responsible for the payment of any fees imposed by the Federal Emergency Management Agency in connection with the review of any flood zone determination resulting from an objection by Borrower.

If Borrower fails to maintain any of the coverages described above, Lender may obtain insurance coverage, at Lender's option and Borrower's expense. Lender is under no obligation to purchase any particular type or amount of coverage. Therefore, such coverage shall cover Lender, but might or might not protect Borrower, Borrower's equity in the Property, or the contents of the Property, against any risk, hazard or liability

and might provide greater or lesser coverage than was previously in effect. Borrower acknowledges that the cost of the insurance coverage so obtained might significantly exceed the cost of insurance that Borrower could have obtained. Any amounts disbursed by Lender under this Section 5 shall become additional debt of Borrower secured by this Security Instrument. These amounts shall bear interest at the Note rate from the date of disbursement and shall be payable, with such interest, upon notice from Lender to Borrower requesting payment.

All insurance policies required by Lender and renewals of such policies shall be subject to Lender's right to disapprove such policies, shall include a standard mortgage clause, and shall name Lender as mortgagee and/or as an additional loss payee. Lender shall have the right to hold the policies and renewal certificates. If Lender requires, Borrower shall promptly give to Lender all receipts of paid premiums and renewal notices. If Borrower obtains any form of insurance coverage, not otherwise required by Lender, for damage to, or destruction of, the Property, such policy shall include a standard mortgage clause and shall name Lender as mortgagee and/or as an additional loss payee.

In the event of loss, Borrower shall give prompt notice to the insurance carrier and Lender. Lender may make proof of loss if not made promptly by Borrower. Unless Lender and Borrower otherwise agree in writing, any insurance proceeds, whether or not the underlying insurance was required by Lender, shall be applied to restoration or repair of the Property, if the restoration or repair is economically feasible and Lender's security is not lessened. During such repair and restoration period, Lender shall have the right to hold such insurance proceeds until Lender has had an opportunity to inspect such Property to ensure the work has been completed to Lender's satisfaction, provided that such inspection shall be undertaken promptly. Lender may disburse proceeds for the repairs and restoration in a single payment or in a series of progress payments as the work is completed. Unless an agreement is made in writing or Applicable Law requires interest to be paid on such insurance proceeds, Lender shall not be required to pay Borrower any interest or earnings on such proceeds. Fees for public adjusters, or other third parties, retained by Borrower shall not be paid out of the insurance proceeds and shall be the sole obligation of Borrower. If the restoration or repair is not economically feasible or Lender's security would be lessened, the insurance proceeds shall be applied to the sums secured by this Security Instrument, whether or not then due, with the excess, if any, paid to Borrower. Such insurance proceeds shall be applied in the order provided for in Section 2.

If Borrower abandons the Property, Lender may file, negotiate and settle any available insurance claim and related matters. If Borrower does not respond within 30 days to a notice from Lender that the insurance carrier has offered to settle a claim, then Lender may negotiate and settle the claim. The 30-day period will begin when the notice is given. In either event, or if Lender acquires the Property under Section 22 or otherwise, Borrower hereby assigns to Lender (a) Borrower's rights to any insurance proceeds in an amount not to exceed the amounts unpaid under the Note or this Security Instrument, and (b) any other of Borrower's rights (other than the right to any refund of unearned premiums paid by Borrower) under all insurance policies covering the Property, insofar as such rights are applicable to the coverage of the Property. Lender may use the insurance proceeds either to repair or restore the Property or to pay amounts unpaid under the Note or this Security Instrument, whether or not then due.

**6. Occupancy.** Borrower shall occupy, establish, and use the Property as Borrower's principal residence within 60 days after the execution of this Security Instrument and shall continue to occupy the Property as Borrower's principal residence for at least one year after the date of occupancy, unless Lender otherwise agrees in writing, which consent shall not be unreasonably withheld, or unless extenuating circumstances exist which are beyond Borrower's control.

**7. Preservation, Maintenance and Protection of the Property; Inspections.** Borrower shall not destroy, damage or impair the Property, allow the Property to deteriorate or commit waste on the Property. Whether or not Borrower is residing in the Property, Borrower shall maintain the Property in order to prevent the Property from deteriorating or decreasing in value due to its condition. Unless it is determined pursuant to Section 5 that repair or restoration is not economically feasible, Borrower shall promptly repair the Property if damaged to avoid further deterioration or damage. If insurance or condemnation proceeds are paid in connection with damage to, or the taking of, the Property, Borrower shall be responsible for repairing or restoring the Property only if Lender has released proceeds for such purposes. Lender may disburse proceeds for the repairs and restoration in a

single payment or in a series of progress payments as the work is completed. If the insurance or condemnation proceeds are not sufficient to repair or restore the Property, Borrower is not relieved of Borrower's obligation for the completion of such repair or restoration.

Lender or its agent may make reasonable entries upon and inspections of the Property. If it has reasonable cause, Lender may inspect the interior of the improvements on the Property. Lender shall give Borrower notice at the time of or prior to such an interior inspection specifying such reasonable cause.

**8. Borrower's Loan Application.** Borrower shall be in default if, during the Loan application process, Borrower or any persons or entities acting at the direction of Borrower or with Borrower's knowledge or consent gave materially false, misleading, or inaccurate information or statements to Lender (or failed to provide Lender with material information) in connection with the Loan. Material representations include, but are not limited to, representations concerning Borrower's occupancy of the Property as Borrower's principal residence.

**9. Protection of Lender's Interest in the Property and Rights Under this Security Instrument.** If (a) Borrower fails to perform the covenants and agreements contained in this Security Instrument, (b) there is a legal proceeding that might significantly affect Lender's interest in the Property and/or rights under this Security Instrument (such as a proceeding in bankruptcy, probate, for condemnation or forfeiture, for enforcement of a lien which may attain priority over this Security Instrument or to enforce laws or regulations), or (c) Borrower has abandoned the Property, then Lender may do and pay for whatever is reasonable or appropriate to protect Lender's interest in the Property and rights under this Security Instrument, including protecting and/or assessing the value of the Property, and securing and/or repairing the Property. Lender's actions can include, but are not limited to: (a) paying any sums secured by a lien which has priority over this Security Instrument; (b) appearing in court; and (c) paying reasonable attorneys' fees to protect its interest in the Property and/or rights under this Security Instrument, including its secured position in a bankruptcy proceeding. Securing the Property includes, but is not limited to, entering the Property to make repairs, change locks, replace or board up doors and windows, drain water from pipes, eliminate building or other code violations or dangerous conditions, and have utilities turned on or off. Although Lender may take action under this Section 9, Lender does not have to do so and is not under any duty or obligation to do so. It is agreed that Lender incurs no liability for not taking any or all actions authorized under this Section 9.

Any amounts disbursed by Lender under this Section 9 shall become additional debt of Borrower secured by this Security Instrument. These amounts shall bear interest at the Note rate from the date of disbursement and shall be payable, with such interest, upon notice from Lender to Borrower requesting payment.

If this Security Instrument is on a leasehold, Borrower shall comply with all the provisions of the lease. Borrower shall not surrender the leasehold estate and interests herein conveyed or terminate or cancel the ground lease. Borrower shall not, without the express written consent of Lender, alter or amend the ground lease. If Borrower acquires fee title to the Property, the leasehold and the fee title shall not merge unless Lender agrees to the merger in writing.

**10. Mortgage Insurance.** If Lender required Mortgage Insurance as a condition of making the Loan, Borrower shall pay the premiums required to maintain the Mortgage Insurance in effect. If, for any reason, the Mortgage Insurance coverage required by Lender ceases to be available from the mortgage insurer that previously provided such insurance and Borrower was required to make separately designated payments toward the premiums for Mortgage Insurance, Borrower shall pay the premiums required to obtain coverage substantially equivalent to the Mortgage Insurance previously in effect, at a cost substantially equivalent to the cost to Borrower of the Mortgage Insurance previously in effect, from an alternate mortgage insurer selected by Lender. If substantially equivalent Mortgage Insurance coverage is not available, Borrower shall continue to pay to Lender the amount of the separately designated payments that were due when the insurance coverage ceased to be in effect. Lender will accept, use and retain these payments as a non-refundable loss reserve in lieu of Mortgage Insurance. Such loss reserve shall be non-refundable, notwithstanding the fact that the Loan is ultimately paid in full, and Lender shall not be required to pay Borrower any interest or earnings on such loss reserve. Lender can no longer require loss reserve payments if Mortgage Insurance coverage (in the amount and for the period that Lender requires) provided by an insurer selected by Lender again becomes available, is obtained, and Lender requires separately designated payments toward the premiums for Mortgage Insurance. If Lender required Mortgage

Insurance as a condition of making the Loan and Borrower was required to make separately designated payments toward the premiums for Mortgage Insurance, Borrower shall pay the premiums required to maintain Mortgage Insurance in effect, or to provide a non-refundable loss reserve, until Lender's requirement for Mortgage Insurance ends in accordance with any written agreement between Borrower and Lender providing for such termination or until termination is required by Applicable Law. Nothing in this Section 10 affects Borrower's obligation to pay interest at the rate provided in the Note.

Mortgage Insurance reimburses Lender (or any entity that purchases the Note) for certain losses it may incur if Borrower does not repay the Loan as agreed. Borrower is not a party to the Mortgage Insurance.

Mortgage insurers evaluate their total risk on all such insurance in force from time to time, and may enter into agreements with other parties that share or modify their risk, or reduce losses. These agreements are on terms and conditions that are satisfactory to the mortgage insurer and the other party (or parties) to these agreements. These agreements may require the mortgage insurer to make payments using any source of funds that the mortgage insurer may have available (which may include funds obtained from Mortgage Insurance premiums).

As a result of these agreements, Lender, any purchaser of the Note, another insurer, any reinsurer, any other entity, or any affiliate of any of the foregoing, may receive (directly or indirectly) amounts that derive from (or might be characterized as) a portion of Borrower's payments for Mortgage Insurance, in exchange for sharing or modifying the mortgage insurer's risk, or reducing losses. If such agreement provides that an affiliate of Lender takes a share of the insurer's risk in exchange for a share of the premiums paid to the insurer, the arrangement is often termed "captive reinsurance." Further:

**(a) Any such agreements will not affect the amounts that Borrower has agreed to pay for Mortgage Insurance, or any other terms of the Loan. Such agreements will not increase the amount Borrower will owe for Mortgage Insurance, and they will not entitle Borrower to any refund.**

**(b) Any such agreements will not affect the rights Borrower has – if any – with respect to the Mortgage Insurance under the Homeowners Protection Act of 1998 or any other law. These rights may include the right to receive certain disclosures, to request and obtain cancellation of the Mortgage Insurance, to have the Mortgage Insurance terminated automatically, and/or to receive a refund of any Mortgage Insurance premiums that were unearned at the time of such cancellation or termination.**

**11. Assignment of Miscellaneous Proceeds; Forfeiture.** All Miscellaneous Proceeds are hereby assigned to and shall be paid to Lender.

If the Property is damaged, such Miscellaneous Proceeds shall be applied to restoration or repair of the Property, if the restoration or repair is economically feasible and Lender's security is not lessened. During such repair and restoration period, Lender shall have the right to hold such Miscellaneous Proceeds until Lender has had an opportunity to inspect such Property to ensure the work has been completed to Lender's satisfaction, provided that such inspection shall be undertaken promptly. Lender may pay for the repairs and restoration in a single disbursement or in a series of progress payments as the work is completed. Unless an agreement is made in writing or Applicable Law requires interest to be paid on such Miscellaneous Proceeds, Lender shall not be required to pay Borrower any interest or earnings on such Miscellaneous Proceeds. If the restoration or repair is not economically feasible or Lender's security would be lessened, the Miscellaneous Proceeds shall be applied to the sums secured by this Security Instrument, whether or not then due, with the excess, if any, paid to Borrower. Such Miscellaneous Proceeds shall be applied in the order provided for in Section 2.

In the event of a total taking, destruction, or loss in value of the Property, the Miscellaneous Proceeds shall be applied to the sums secured by this Security Instrument, whether or not then due, with the excess, if any, paid to Borrower.

In the event of a partial taking, destruction, or loss in value of the Property in which the fair market value of the Property immediately before the partial taking, destruction, or loss in value is equal to or greater than the amount of the sums secured by this Security Instrument immediately before the partial taking, destruction, or loss in value, unless Borrower and Lender otherwise agree in writing, the sums secured by this Security Instrument shall be reduced by the amount of the Miscellaneous Proceeds multiplied by the following fraction: (a) the total amount of the sums secured immediately before the partial taking, destruction, or loss in value divided by (b) the fair market value of the Property immediately before the partial taking, destruction, or loss in value. Any balance

shall be paid to Borrower.

In the event of a partial taking, destruction, or loss in value of the Property in which the fair market value of the Property immediately before the partial taking, destruction, or loss in value is less than the amount of the sums secured immediately before the partial taking, destruction, or loss in value, unless Borrower and Lender otherwise agree in writing, the Miscellaneous Proceeds shall be applied to the sums secured by this Security Instrument whether or not the sums are then due.

If the Property is abandoned by Borrower, or if, after notice by Lender to Borrower that the Opposing Party (as defined in the next sentence) offers to make an award to settle a claim for damages, Borrower fails to respond to Lender within 30 days after the date the notice is given, Lender is authorized to collect and apply the Miscellaneous Proceeds either to restoration or repair of the Property or to the sums secured by this Security Instrument, whether or not then due. "Opposing Party" means the third party that owes Borrower Miscellaneous Proceeds or the party against whom Borrower has a right of action in regard to Miscellaneous Proceeds.

Borrower shall be in default if any action or proceeding, whether civil or criminal, is begun that, in Lender's judgment, could result in forfeiture of the Property or other material impairment of Lender's interest in the Property or rights under this Security Instrument. Borrower can cure such a default and, if acceleration has occurred, reinstate as provided in Section 19, by causing the action or proceeding to be dismissed with a ruling that, in Lender's judgment, precludes forfeiture of the Property or other material impairment of Lender's interest in the Property or rights under this Security Instrument. The proceeds of any award or claim for damages that are attributable to the impairment of Lender's interest in the Property are hereby assigned and shall be paid to Lender.

All Miscellaneous Proceeds that are not applied to restoration or repair of the Property shall be applied in the order provided for in Section 2.

**12. Borrower Not Released; Forbearance By Lender Not a Waiver.** Extension of the time for payment or modification of amortization of the sums secured by this Security Instrument granted by Lender to Borrower or any Successor in Interest of Borrower shall not operate to release the liability of Borrower or any Successors in Interest of Borrower. Lender shall not be required to commence proceedings against any Successor in Interest of Borrower or to refuse to extend time for payment or otherwise modify amortization of the sums secured by this Security Instrument by reason of any demand made by the original Borrower or any Successors in Interest of Borrower. Any forbearance by Lender in exercising any right or remedy including, without limitation, Lender's acceptance of payments from third persons, entities or Successors in Interest of Borrower or in amounts less than the amount then due, shall not be a waiver of or preclude the exercise of any right or remedy.

**13. Joint and Several Liability; Co-signers; Successors and Assigns Bound.** Borrower covenants and agrees that Borrower's obligations and liability shall be joint and several. However, any Borrower who co-signs this Security Instrument but does not execute the Note (a "co-signer"): (a) is co-signing this Security Instrument only to mortgage, grant and convey the co-signer's interest in the Property under the terms of this Security Instrument; (b) is not personally obligated to pay the sums secured by this Security Instrument; and (c) agrees that Lender and any other Borrower can agree to extend, modify, forbear or make any accommodations with regard to the terms of this Security Instrument or the Note without the co-signer's consent.

Subject to the provisions of Section 18, any Successor in Interest of Borrower who assumes Borrower's obligations under this Security Instrument in writing, and is approved by Lender, shall obtain all of Borrower's rights and benefits under this Security Instrument. Borrower shall not be released from Borrower's obligations and liability under this Security Instrument unless Lender agrees to such release in writing. The covenants and agreements of this Security Instrument shall bind (except as provided in Section 20) and benefit the successors and assigns of Lender.

**14. Loan Charges.** Lender may charge Borrower fees for services performed in connection with Borrower's default, for the purpose of protecting Lender's interest in the Property and rights under this Security Instrument, including, but not limited to, attorneys' fees, property inspection and valuation fees. In regard to any other fees, the absence of express authority in this Security Instrument to charge a specific fee to Borrower shall not be construed as a prohibition on the charging of such fee. Lender may not charge fees that are expressly prohibited by this Security Instrument or by Applicable Law.

If the Loan is subject to a law which sets maximum loan charges, and that law is finally interpreted so that

the interest or other loan charges collected or to be collected in connection with the 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 collected from Borrower which exceeded permitted limits will be refunded to Borrower. Lender may choose to make this refund by reducing the principal owed under the Note or by making a direct payment to Borrower. If a refund reduces principal, the reduction will be treated as a partial prepayment without any prepayment charge (whether or not a prepayment charge is provided for under the Note). Borrower's acceptance of any such refund made by direct payment to Borrower will constitute a waiver of any right of action Borrower might have arising out of such overcharge.

**15. Notices.** All notices given by Borrower or Lender in connection with this Security Instrument must be in writing. Any notice to Borrower in connection with this Security Instrument shall be deemed to have been given to Borrower when mailed by first class mail or when actually delivered to Borrower's notice address if sent by other means. Notice to any one Borrower shall constitute notice to all Borrowers unless Applicable Law expressly requires otherwise. The notice address shall be the Property Address unless Borrower has designated a substitute notice address by notice to Lender. Borrower shall promptly notify Lender of Borrower's change of address. If Lender specifies a procedure for reporting Borrower's change of address, then Borrower shall only report a change of address through that specified procedure. There may be only one designated notice address under this Security Instrument at any one time. Any notice to Lender shall be given by delivering it or by mailing it by first class mail to Lender's address stated herein unless Lender has designated another address by notice to Borrower. Any notice in connection with this Security Instrument shall not be deemed to have been given to Lender until actually received by Lender. If any notice required by this Security Instrument is also required under Applicable Law, the Applicable Law requirement will satisfy the corresponding requirement under this Security Instrument.

**16. Governing Law; Severability; Rules of Construction.** This Security Instrument shall be governed by federal law and the law of the jurisdiction in which the Property is located. All rights and obligations contained in this Security Instrument are subject to any requirements and limitations of Applicable Law. Applicable Law might explicitly or implicitly allow the parties to agree by contract or it might be silent, but such silence shall not be construed as a prohibition against agreement by contract. In the event that any provision or clause of this Security Instrument or the Note conflicts with Applicable Law, such conflict shall not affect other provisions of this Security Instrument or the Note which can be given effect without the conflicting provision.

As used in this Security Instrument: (a) words of the masculine gender shall mean and include corresponding neuter words or words of the feminine gender; (b) words in the singular shall mean and include the plural and vice versa; and (c) the word "may" gives sole discretion without any obligation to take any action.

**17. Borrower's Copy.** Borrower shall be given one copy of the Note and of this Security Instrument.

**18. 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 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.

If Lender exercises this option, 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 by this Security Instrument without further notice or demand on Borrower.

**19. Borrower's Right to Reinstate After Acceleration.** If Borrower meets certain conditions, Borrower shall have the right to have enforcement of this Security Instrument discontinued at any time prior to the earliest of: (a) five days before sale of the Property pursuant to any power of sale contained in this Security

Instrument; (b) such other period as Applicable Law might specify for the termination of Borrower's right to reinstate; or (c) entry of a judgment enforcing this Security Instrument. Those conditions are that Borrower: (a) pays Lender all sums which then would be due under this Security Instrument and the Note as if no acceleration had occurred; (b) cures any default of any other covenants or agreements; (c) pays all expenses incurred in enforcing this Security Instrument, including, but not limited to, reasonable attorneys' fees, property inspection and valuation fees, and other fees incurred for the purpose of protecting Lender's interest in the Property and rights under this Security Instrument; and (d) takes such action as Lender may reasonably require to assure that Lender's interest in the Property and rights under this Security Instrument, and Borrower's obligation to pay the sums secured by this Security Instrument, shall continue unchanged. Lender may require that Borrower pay such reinstatement sums and expenses in one or more of the following forms, as selected by Lender: (a) cash; (b) money order; (c) certified check, bank check, treasurer's check or cashier's check, provided any such check is drawn upon an institution whose deposits are insured by a federal agency, instrumentality or entity; or (d) Electronic Funds Transfer. Upon reinstatement by Borrower, this Security Instrument and obligations secured hereby shall remain fully effective as if no acceleration had occurred. However, this right to reinstate shall not apply in the case of acceleration under Section 18.

**20. Sale of Note; Change of Loan Servicer; Notice of Grievance.** The Note or a partial interest in the Note (together with this Security Instrument) can be sold one or more times without prior notice to Borrower. A sale might result in a change in the entity (known as the "Loan Servicer") that collects Periodic Payments due under the Note and this Security Instrument and performs other mortgage loan servicing obligations under the Note, this Security Instrument, and Applicable Law. There also might be one or more changes of the Loan Servicer unrelated to a sale of the Note. If there is a change of the Loan Servicer, Borrower will be given written notice of the change which will state the name and address of the new Loan Servicer, the address to which payments should be made and any other information RESPA requires in connection with a notice of transfer of servicing. If the Note is sold and thereafter the Loan is serviced by a Loan Servicer other than the purchaser of the Note, the mortgage loan servicing obligations to Borrower will remain with the Loan Servicer or be transferred to a successor Loan Servicer and are not assumed by the Note purchaser unless otherwise provided by the Note purchaser.

Neither Borrower nor Lender may commence, join, or be joined to any judicial action (as either an individual litigant or the member of a class) that arises from the other party's actions pursuant to this Security Instrument or that alleges that the other party has breached any provision of, or any duty owed by reason of, this Security Instrument, until such Borrower or Lender has notified the other party (with such notice given in compliance with the requirements of Section 15) of such alleged breach and afforded the other party hereto a reasonable period after the giving of such notice to take corrective action. If Applicable Law provides a time period which must elapse before certain action can be taken, that time period will be deemed to be reasonable for purposes of this paragraph. The notice of acceleration and opportunity to cure given to Borrower pursuant to Section 22 and the notice of acceleration given to Borrower pursuant to Section 18 shall be deemed to satisfy the notice and opportunity to take corrective action provisions of this Section 20.

**21. Hazardous Substances.** As used in this Section 21: (a) "Hazardous Substances" are those substances defined as toxic or hazardous substances, pollutants, or wastes by Environmental Law and the following substances: gasoline, kerosene, other flammable or toxic petroleum products, toxic pesticides and herbicides, volatile solvents, materials containing asbestos or formaldehyde, and radioactive materials; (b) "Environmental Law" means federal laws and laws of the jurisdiction where the Property is located that relate to health, safety or environmental protection; (c) "Environmental Cleanup" includes any response action, remedial action, or removal action, as defined in Environmental Law; and (d) an "Environmental Condition" means a condition that can cause, contribute to, or otherwise trigger an Environmental Cleanup.

Borrower shall not cause or permit the presence, use, disposal, storage, or release of any Hazardous Substances, or threaten to release any Hazardous Substances, on or in the Property. Borrower shall not do, nor allow anyone else to do, anything affecting the Property (a) that is in violation of any Environmental Law, (b) which creates an Environmental Condition, or (c) which, due to the presence, use, or release of a Hazardous Substance, creates a condition that adversely affects the value of the Property. The preceding two sentences shall



not apply to the presence, use, or storage on the Property of small quantities of Hazardous Substances that are generally recognized to be appropriate to normal residential uses and to maintenance of the Property (including, but not limited to, hazardous substances in consumer products).

Borrower shall promptly give Lender written notice of (a) any investigation, claim, demand, lawsuit or other action by any governmental or regulatory agency or private party involving the Property and any Hazardous Substance or Environmental Law of which Borrower has actual knowledge, (b) any Environmental Condition, including but not limited to, any spilling, leaking, discharge, release or threat of release of any Hazardous Substance, and (c) any condition caused by the presence, use or release of a Hazardous Substance which adversely affects the value of the Property. If Borrower learns, or is notified by any governmental or regulatory authority, or any private party, that any removal or other remediation of any Hazardous Substance affecting the Property is necessary, Borrower shall promptly take all necessary remedial actions in accordance with Environmental Law. Nothing herein shall create any obligation on Lender for an Environmental Cleanup.

NON-UNIFORM COVENANTS. Borrower and Lender further covenant and agree as follows:

**22. Acceleration; Remedies.** Lender shall give notice to Borrower prior to acceleration following Borrower's breach of any covenant or agreement in this Security Instrument (but not prior to acceleration under Section 18 unless Applicable Law provides otherwise). The notice shall specify: (a) the default; (b) the action required to cure the default; (c) a date, not less than 30 days from the date the notice is given to Borrower, by which the default must be cured; and (d) that failure to cure the default on or before the date specified in the notice will result in acceleration of the sums secured by this Security Instrument and sale of the Property. The notice shall further inform Borrower of the right to reinstate after acceleration and the right to bring a court action to assert the non-existence of a default or any other defense of Borrower to acceleration and sale. If the default is not cured on or before the date specified in the notice, Lender at its option may require immediate payment in full of all sums secured by this Security Instrument without further demand and may invoke the power of sale and any other remedies permitted by Applicable Law. Lender shall be entitled to collect all expenses incurred in pursuing the remedies provided in this Section 22, including, but not limited to, reasonable attorneys' fees and costs of title evidence. For the purposes of this Section 22, the term "Lender" includes any holder of the Note who is entitled to receive payments under the Note.

If Lender invokes the power of sale, Lender or Trustee shall give notice of the time, place and terms of sale by posting and filing the notice at least 21 days prior to sale as provided by Applicable Law. Lender shall mail a copy of the notice to Borrower in the manner prescribed by Applicable Law. Sale shall be made at public venue. The sale must begin at the time stated in the notice of sale or not later than three hours after that time and between the hours of 10 a.m. and 4 p.m. on the first Tuesday of the month. Borrower authorizes Trustee to sell the Property to the highest bidder for cash in one or more parcels and in any order Trustee determines. Lender or its designee may purchase the Property at any sale.

Trustee shall deliver to the purchaser Trustee's deed conveying indefeasible title to the Property with covenants of general warranty from Borrower. Borrower covenants and agrees to defend generally the purchaser's title to the Property against all claims and demands. The recitals in the Trustee's deed shall be prima facie evidence of the truth of the statements made therein. Trustee shall apply the proceeds of the sale in the following order: (a) to all expenses of the sale, including, but not limited to, reasonable Trustee's and attorneys' fees; (b) to all sums secured by this Security Instrument; and (c) any excess to the person or persons legally entitled to it.

If the Property is sold pursuant to this Section 22, Borrower or any person holding possession of the Property through Borrower shall immediately surrender possession of the Property to the purchaser at that sale. If possession is not surrendered, Borrower or such person shall be a tenant at sufferance and may be removed by writ of possession or other court proceeding.

**23. Release.** Upon payment of all sums secured by this Security Instrument, Lender shall provide a release of this Security Instrument to Borrower or Borrower's designated agent in accordance with Applicable Law. Borrower shall pay any recordation costs. Lender may charge Borrower a fee for releasing this Security Instrument, but only if the fee is paid to a third party for services rendered and the charging of the fee is permitted

under Applicable Law.

**24. Substitute Trustee; Trustee Liability.** All rights, remedies and duties of Trustee under this Security Instrument may be exercised or performed by one or more trustees acting alone or together. Lender, at its option and with or without cause, may from time to time, by power of attorney or otherwise, remove or substitute any trustee, add one or more trustees, or appoint a successor trustee to any Trustee without the necessity of any formality other than a designation by Lender in writing. Without any further act or conveyance of the Property the substitute, additional or successor trustee shall become vested with the title, rights, remedies, powers and duties conferred upon Trustee herein and by Applicable Law.

Trustee shall not be liable if acting upon any notice, request, consent, demand, statement or other document believed by Trustee to be correct. Trustee shall not be liable for any act or omission unless such act or omission is willful.

**25. Subrogation.** Any of the proceeds of the Note used to take up outstanding liens against all or any part of the Property have been advanced by Lender at Borrower's request and upon Borrower's representation that such amounts are due and are secured by valid liens against the Property. Lender shall be subrogated to any and all rights, superior titles, liens and equities owned or claimed by any owner or holder of any outstanding liens and debts, regardless of whether said liens or debts are acquired by Lender by assignment or are released by the holder thereof upon payment.

**26. Partial Invalidity.** In the event any portion of the sums intended to be secured by this Security Instrument cannot be lawfully secured hereby, payments in reduction of such sums shall be applied first to those portions not secured hereby.

**27. Purchase Money; Owelty of Partition; Renewal and Extension of Liens Against Property; Acknowledgment of Cash Advanced Against Non-Homestead Property. Check box as applicable:**

**Purchase Money.**

The funds advanced to Borrower under the Note were used to pay all or part of the purchase price of the Property. The Note also is primarily secured by the vendor's lien retained in the deed of even date with this Security Instrument conveying the Property to Borrower, which vendor's lien has been assigned to Lender, this Security Instrument being additional security for such vendor's lien.

**Owelty of Partition.**

The Note represents funds advanced by Lender at the special instance and request of Borrower for the purpose of acquiring the entire fee simple title to the Property and the existence of an owelty of partition imposed against the entirety of the Property by a court order or by a written agreement of the parties to the partition to secure the payment of the Note is expressly acknowledged, confessed and granted.

**Renewal and Extension of Liens Against Property.**

The Note is in renewal and extension, but not in extinguishment, of the indebtedness described on the attached Renewal and Extension Exhibit which is incorporated by reference. Lender is expressly subrogated to all rights, liens and remedies securing the original holder of a note evidencing Borrower's indebtedness and the original liens securing the indebtedness are renewed and extended to the date of maturity of the Note in renewal and extension of the indebtedness.

**Acknowledgment of Cash Advanced Against Non-Homestead Property.**

The Note represents funds advanced to Borrower on this day at Borrower's request and Borrower acknowledges receipt of such funds. Borrower states that Borrower does not now and does not intend ever to reside on, use in any manner, or claim the Property secured by this Security Instrument as a business or residential homestead. Borrower disclaims all homestead rights, interests and exemptions related to the Property.

**28. Loan Not a Home Equity Loan. The Loan evidenced by the Note is not an extension of credit as defined by Section 50(a)(6) or Section 50(a)(7), Article XVI, of the Texas Constitution. If the Property is used as Borrower's residence, then Borrower agrees that Borrower will receive no cash from the Loan evidenced by the Note and that any advances not necessary to purchase the Property, extinguish an**

**owelty lien, complete construction, or renew and extend a prior lien against the Property, will be used to reduce the balance evidenced by the Note or such Loan will be modified to evidence the correct Loan balance, at Lender's option. Borrower agrees to execute any documentation necessary to comply with this Section 28.**

BY SIGNING BELOW, Borrower accepts and agrees to the terms and covenants contained in this Security Instrument and in any Rider executed by Borrower and recorded with it.

\_\_\_\_\_  
Signature Date  
**Johnny Go Lightly**

\_\_\_\_\_  
Signature Date  
**Tread Lightly**

*[Sign Originals Only]*

STATE OF TEXAS  
COUNTY OF \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ by **Johnny Go Lightly and Tread Lightly.**

\_\_\_\_\_  
Notary Public  
Printed Name: \_\_\_\_\_  
My commission expires: \_\_\_\_\_

**TO BE ATTACHED TO DEED OF TRUST**

**Renewal and Extension Exhibit**

This RENEWAL AND EXTENSION EXHIBIT is incorporated into and shall be deemed to amend and supplement the Deed of Trust ("Security Instrument") of even date herewith. Such Security Instrument is granted by the Borrower ("Borrower") to secure Borrower's indebtedness ("Note") to Lender (sometimes referred to as the "Beneficiary" or "Holder of the Note"), the Note secured hereby is in renewal and extension but not in extinguishment of that indebtedness whether one or more, described as follows:

**Residential Construction Contract and Lien executed by Johnny Go Lightly and Tread Lightly, husband and wife securing a Residential Construction Note in the amount of \$237,070.00 payable to the order of Custom Homes, LLC and assigned therein to the extent of \$215,800.00 to ABC Bank . Said Lien is dated October 11, 2012, and is or will be recorded of record in the Real Property Records of Dallas County, Texas.**

**DEED OF TRUST DATED MARCH 16, 2010, EXECUTED BY JOHNNY GO LIGHTLY AND WIFE, TREAD LIGHTLY TO MICHAEL PATTERSON, TRUSTEE, WHICH SAID DEED OF TRUST IS RECORDED UNDER DOCUMENT NO. 111111111 OF THE OFFICIAL PUBLIC RECORDS OF DALLAS COUNTY, TEXAS, SECURING THE PAYMENT OF A NOTE OF EVEN DATE THEREWITH IN THE PRINCIPAL AMOUNT OF \$10,400.00, PAYABLE TO THE ORDER OF ANOTHER LENDER, N.A., FREDERICKSBURG, TEXAS AND SUBJECT TO ALL OF THE TERMS, PROVISIONS AND CONDITIONS CONTAINED IN SAID DEED OF TRUST, INCLUDING BUT NOT LIMITED TO ANY ADDITIONAL EXISTING OR FUTURE INDEBTEDNESS ALSO SECURED BY SAID DEED OF TRUST.**

THE LENDER HEREBY SECURED IS EXPRESSLY SUBROGATED TO ALL RIGHTS, LIENS, EQUITIES AND REMEDIES SECURING THE ORIGINAL HOLDER(S) OF SAID DEBT(S) AND THE ORIGINAL LIEN(S) SECURING THE SAME ARE HEREBY RENEWED AND EXTENDED TO DATE OF MATURITY OF THE INDEBTEDNESS HEREBY SECURED IN RENEWAL AND EXTENSION THEREOF. IN THE EVENT ANY PORTION OF THE SUMS INTENDED TO BE SECURED BY THE SECURITY INSTRUMENT CANNOT BE LAWFULLY SECURED THEREBY, PAYMENTS IN REDUCTION OF SUCH SUMS SHALL BE APPLIED FIRST TO THOSE PORTIONS NOT SECURED THEREBY. BORROWER(S) ACKNOWLEDGES THAT THE LIEN(S) SECURING THE PRIOR NOTE IS VALID, THAT IT SUBSISTS AGAINST THE PROPERTY, AND THAT BY THIS INSTRUMENT IT IS RENEWED AND EXTENDED IN FULL FORCE UNTIL THE NOTE IS PAID, EVEN THOUGH THE PRIOR LIEN(S) IS RELEASED AND NOT ASSIGNED TO LENDER.

INITIAL FOR IDENTIFICATION

\_\_\_\_\_

## **Construction Loan Rider to Security Instrument (with Security Agreement)**

THIS CONSTRUCTION LOAN RIDER TO SECURITY INSTRUMENT (WITH SECURITY AGREEMENT) is made this **Eleventh** day of **October, 2012**, and is incorporated into and shall be deemed to amend and supplement the Mortgage, Deed of Trust, or Security Deed (the "Security Instrument") of the same date given by the undersigned (the "Borrower") to secure Borrower's Note (the "Note") to **ABC Bank** (the "Lender") of the same date and covering the property described in the Security Instrument ("the "Property") and located at:

**123 Sunset Drive  
Dallas, Texas 75205  
(Property Address)**

### **ADDITIONAL COVENANTS**

In addition to the covenants and agreements made in the Security Instrument, Borrower and Lender further covenant and agree as follows:

**A. INCORPORATION OF RESIDENTIAL CONSTRUCTION LOAN AGREEMENT**

Lender and Borrower entered into a Residential Construction Loan Agreement (the "Agreement") this same date. The Agreement is incorporated herein by reference. Default under the terms of the Agreement shall be a default under the terms of the Security Instrument, which default entitles Lender to accelerate the maturity of the Note and to exercise all available remedies.

**B. CONSTRUCTION MORTGAGE**

The Security Instrument is a "Construction Mortgage" under Section 9.334 of the Texas Business and Commerce Code, securing the obligation for the cost of construction of certain improvements on the Property. It is understood and agreed that funds to be advanced upon the Note are to be used in the construction of certain improvements on the Property in accordance with the Agreement.

**C. RESIDENTIAL CONSTRUCTION NOTE AND CONTRACT**

The Note represents a full or partial renewal, extension, and rearrangement of the balance now owing on that certain Residential Construction Note dated **October 11, 2012**, in the original principal sum of **\$237,070.00** executed by Borrower, payable to the order of **Custom Homes, LLC** (the "Contractor") (the "Residential Construction Note"), which Residential Construction Note is secured by a Residential Construction Contract of the same date executed by and between Borrower, as Owner(s), and Contractor, filed or to be filed for record in the Office of the County Clerk of **Dallas County, Texas** (the "Residential Construction Contract"), said Residential Construction Note and the liens securing payment of same being assigned to Lender by Transfer of Lien executed by Contractor, filed or to be filed for record in the Office of the County Clerk of **Dallas County, Texas**.

**D. FUTURE ADVANCES**

The Security Instrument is given wholly or partly to secure future obligations that may be incurred under the Note. The face amount of obligations evidenced by the Note and secured hereunder is **\$223,200.00**, and the maximum amount, including present as well as future advances evidenced by the Note, that Lender shall be obligated to advance at any one time shall not exceed the face amount of the Note; provided, however, the said maximum amount may be increased by such additional amounts as may be advanced by Lender pursuant to the

Security Instrument, and all such additional amounts shall be deemed necessary expenditures for the protection of the security in accordance with and to the extent allowed by Texas law. Future advances evidenced by the Note shall be made as provided in the Agreement. Borrower and Lender have not contracted to require written notation or evidence of each future advance to be made under the Note.

**E. WAIVER OF CERTAIN NOTICES DURING CONSTRUCTION**

Notwithstanding the 30 day written notice and right to cure provisions contained in Paragraph 21 of the Security Instrument, prior to the Modification Date (or agreed written extension thereof), as such term is defined in the Note, Borrower, as well as all sureties, guarantors, and endorsers of said Note severally waive all notices, demands, presentments for payment, notices of non-payment, notices of intention to accelerate the maturity, notices of acceleration, notices of dishonor, protest and notice of protest, diligence in collecting or bringing suit as to the Note and as to each, every, and all installments thereof and all obligations thereunder and against any party thereto and to the application of any payment on said obligation, or as an offset thereto, and agree to all extensions, renewals, partial payments, substitutions, or evidence of indebtedness and the taking, release, or substitution of all or any part of the herein described security or the release of any party liable thereon with or without notice before or after maturity.

Prior to the Modification Date, it is expressly provided that upon default in the punctual payment of the Note or any part or installment thereof, principal or interest, as the same shall become due and payable, or in the performance of any warranty, covenant, or agreement, or other default under the terms of the Security Instrument of even date given as security for the payment thereof, or under any other instrument granted to secure payment thereof or executed in connection therewith, Lender may declare the then unpaid principal balance and accrued interest thereon immediately due and payable without notice; failure to accelerate the Note in the event of default shall not constitute a waiver on the part of Lender of the right to exercise the same at any other time. Borrower hereby expressly represents and warrants unto Lender that prior to the Modification Date (or agreed written extension thereof) and for purposes of Section 51.002(d) of the Texas Property Code, the herein described Property prior to such Modification Date shall not constitute Borrower's Residence.

**F. ACKNOWLEDGMENT OF VENDOR'S LIEN**

If any portion of the indebtedness secured by this Security Instrument represents funds advanced by Lender to be used in payment of a portion of the purchase price of the above described Property, then to the extent said indebtedness is applied to the purchase price, the same shall be additionally secured by a vendor's lien and superior title and it is expressly agreed that the lien of this Security Instrument shall be cumulative of and without prejudice to such vendor's lien and superior title and that foreclosure hereunder will operate to foreclose such vendor's lien.

**G. ACKNOWLEDGMENT OF RESIDENTIAL CONSTRUCTION**

Borrower hereby acknowledges that the aforesaid Residential Construction Contract and the liens created thereby constitute valid and subsisting liens on the property described therein and hereinabove described, and that none of the rights and liens existing thereunder shall be impaired or released hereby, and the same as supplemented hereby shall remain in full force and effect, and that all rights and liens existing and to exist thereunder are renewed, extended, carried forward, and conveyed, and are not extinguished hereby, to secure all of the indebtedness hereinabove mentioned.

**H. SECURITY AGREEMENT**

---

Construction Loan Rider to Security Instrument (with Security Agreement)

Without limiting any of the provisions of the Security Instrument, Borrower, as Debtor (and being referred to in this Paragraph as “Debtor”, whether one or more), expressly GRANTS unto Lender, as Secured Party, (and being referred to in this Paragraph as “Secured Party”, whether one or more), a security interest in the following described property (including both those now and those hereafter existing) (collectively, “Collateral”) to the full extent that such properties may be subject to the Uniform Commercial Code - Secured Transactions (Chapter 9 Business & Commerce Code of Texas, as amended) (hereinafter called “Uniform Commercial Code”):

- (1) To the extent owned by Debtor, Debtor’s successors and assigns, and acquired with the proceeds of the loan secured by the Security Instrument, all fixtures, goods, furnishings, equipment, building material, machinery, and personal property now or hereafter located in, on, or used or intended to be used in connection with the Property, including without limitation: doors, partitions; window and floor coverings; apparatus, material, or equipment for supplying, holding, or distributing heating, cooling, electricity, gas, water, air, and lighting; security, access control, and fire prevention and extinguishing apparatus, material, or equipment; household appliances; bathroom and kitchen fixtures; cabinetry; and landscaping (collectively, “Fixtures and Personal Property”).
- (2) All proceeds or sums payable in lieu of or as compensation for the loss of or damage to the Property and the Fixtures and Personal Property, and all rights in and to all present and future fire and hazard insurance policies.
- (3) All proceeds of any award or claim for damages, direct or consequential, in connection with any condemnation or other taking, in whole or in part, of the Property, or for conveyance in lieu thereof.
- (4) All of Debtor’s interest and rights, as lessor, in and to all leases now or hereafter affecting the Property, and all rental income payable thereunder or otherwise.
- (5) All bonds, deposits, letters of credit, and any other sums at any time credited by or due from Secured Party to Debtor or any guarantor, co-maker, or surety of Debtor, and held by Secured Party.
- (6) Any replacements, additions, or betterments to, or proceeds of, the Collateral described herein above, the sale or distribution of which is not authorized hereby.

In this regard, Debtor and Secured Party further covenant and agree as follows:

1. In addition to any other remedies granted in the Security Instrument to Secured Party or Trustee, Secured Party may in event of default proceed under the Uniform Commercial Code as to all or any part of the Collateral, and shall have and may exercise with respect to the Collateral all the rights, remedies, and powers of a secured party under the Uniform Commercial Code, including without limitation the right and power to sell at public or private sale or sales or otherwise dispose of, lease, or utilize the Collateral, or any part or parts thereof, in any manner authorized or permitted under the Uniform Commercial Code after default by a debtor and to apply the proceeds thereof toward payment of any costs, expenses, reasonable attorneys’ fees, and legal expenses thereby incurred by Secured Party and toward payment of indebtedness described in the Security Instrument in such order or manner as Secured Party may elect.
2. Among the rights of Secured Party in the event of default and without limitation, Secured Party shall have the right to take possession of the Collateral and to enter upon any premises upon which the Collateral may be situated for such purpose without being deemed guilty of

trespass and without liability for damages thereby occasioned and to take any action deemed necessary, appropriate, or desirable by Secured Party, at its option and in its sole discretion, to repair, refurbish, or otherwise prepare the Collateral for sale, lease, or other use or disposition as herein authorized.

3. To the extent permitted by law, Debtor expressly waives any notice of sale or other disposition of the Collateral and any other rights or remedies of a debtor or formalities prescribed by law relative to sale or disposition of the Collateral or exercise of any other right or remedy of Secured Party existing after default hereunder; and to the extent any such notice is required and cannot be waived, Debtor agrees that if such is mailed, postage prepaid, to Debtor at the address shown herein at least ten (10) days before the time of the sale or disposition, such notice shall be deemed reasonable and shall fully satisfy any requirement for giving of such notice.
4. After default, Secured Party is expressly granted the right, at its option, to transfer, at any time to itself or to its nominee, the Collateral or any part thereof and to receive the monies, income, proceeds, or benefits attributable or accruing thereto and to hold the same as security for amounts owing on any of the indebtedness, or to apply it to the principal and interest or other amounts owing on any of the indebtedness, whether or not then due, in such manner as Secured Party may elect. All rights to marshalling of assets of Debtor, including any such right with respect to the Collateral, are hereby waived.
5. All recitals in any instrument of assignment or any other instrument executed by Secured Party or by Trustee incident to sale, transfer, assignment, lease, or other disposition or utilization of the Collateral or any part thereof hereunder shall be requisite to establish full legal propriety of the sale or other action or any fact, condition, or thing incidental thereto, and all prerequisites of such sale or other action and of any fact, condition, or thing incident thereto shall be presumed conclusively to have been performed or to have occurred.
6. Secured Party may require Debtor to assemble the Collateral and make it available to Secured Party at a place to be designated by Secured Party that is reasonably convenient to both parties. All expenses of retaking, holding, preparing for sale, lease, or other use or disposition, selling, leasing, or otherwise using or disposing of the Collateral and the like hereunder, including also all reasonable attorneys' fees, legal expenses, and costs, shall be added to the indebtedness secured by the Security Instrument and Debtor shall be liable therefor.
7. Certain of the Collateral is or will become "fixtures" (as that term is defined in the Uniform Commercial Code) on the Property, and the Security Instrument upon being filed for record in the real estate records shall operate also as a financing statement upon such of the Collateral that is or may become fixtures.
8. A copy of this Security Instrument, which is signed by Debtor, may also serve as a financing statement under the Uniform Commercial Code between Debtor and Secured Party, whose addresses are set forth herein.
9. So long as any amount remains unpaid on any indebtedness secured by the Security Instrument, Debtor shall not execute and there shall not be filed in any public office any financing statement or statements affecting the Collateral other than financing statements in



favor of Secured Party hereunder, unless the prior written specific consent and approval of Secured Party shall have first been obtained.

10. Secured Party is authorized to file, in jurisdictions where this authorization will be given effect, a financing statement signed only by Secured Party covering the Collateral and, at the request of Secured Party, Debtor shall join Secured Party in executing one or more financing statements pursuant to the Uniform Commercial Code in form satisfactory to Secured Party and shall pay the cost of filing the same or filing or recording the Security Instrument as a financing statement in all public offices at anytime and from time to time whenever filing or recording of any financing statement or the Security Instrument is deemed by Secured Party to be necessary or desirable. Any carbon, photographic, or other reproductions of this document may be filed by Secured Party and shall be sufficient as a financing statement.
11. Debtor further warrants and represents to Secured Party that, except for the security interest granted hereby in the Collateral, Debtor is the owner and holder of the Collateral, free of any adverse claim, security interest, or encumbrance, and Debtor agrees to defend the Collateral against all claims and demands of any person at any time claiming the same or any interest therein, except rights of tenants to use thereof and subject to the other matters set forth herein, Debtor further warrants and represents that Debtor has not heretofore signed any financing statements in connection with the Collateral and that there are no financing statements signed by Debtor now on file in any public office.

**I. TERMINATION OF CONSTRUCTION LOAN RIDER**

This Rider shall terminate on the Modification Date as defined in the Note, and shall thereafter be null and void and of no further force or effect.

**“IMPORTANT NOTICE: You and your Contractor are responsible for meeting the terms and conditions of the Contract for Improvements (the “Contract”). If you sign the Contract and you fail to meet the terms and conditions of the Contract, you may lose your legal ownership in your home. KNOW YOUR RIGHTS AND DUTIES UNDER THE LAW.”**

**By signing below, Borrower accepts and agrees to the terms and covenants contained in this Construction Loan Rider to Security Instrument (with Security Agreement).**

\_\_\_\_\_  
Signature Date  
**Johnny Go Lightly**

\_\_\_\_\_  
Signature Date  
**Tread Lightly**

*[Sign Originals Only]*

Debtor's Mailing Address:  
**123 Sunset Drive  
Dallas, TX 75205**

---

Construction Loan Rider to Security Instrument (with Security Agreement)

# Planned Unit Development Rider

Loan # 1111

THIS PLANNED UNIT DEVELOPMENT RIDER is made this **Eleventh** day of **October, 2012**, and is incorporated into and shall be deemed to amend and supplement the Mortgage, Deed of Trust or Security Deed (the "Security Instrument") of the same date, given by the undersigned (the "Borrower") to secure Borrower's Note to **ABC Bank** (the "Lender") of the same date and covering the Property described in the Security Instrument and located at:

**123 Sunset Drive, Dallas, Texas 75205**  
[Property Address]

The Property includes, but is not limited to, a parcel of land improved with a dwelling, together with other such parcels and certain common areas and facilities, as described in **the Declaration of Covenants, Conditions and Restrictions** (the "Declaration").

The Property is a part of a planned unit development known as

**COUNTRY CLUB ESTATES**  
[Name of Planned Unit Development]

(the "PUD"). The Property also includes Borrower's interest in the homeowners association or equivalent entity owning or managing the common areas and facilities of the PUD (the "Owners Association") and the uses, benefits and proceeds of Borrower's interest.

**PUD COVENANTS.** In addition to the covenants and agreements made in the Security Instrument, Borrower and Lender further covenant and agree as follows:

**A. PUD Obligations.** Borrower shall perform all of Borrower's obligations under the PUD's Constituent Documents. The "Constituent Documents" are the (i) Declaration; (ii) articles of incorporation, trust instrument or any equivalent document which creates the Owners Association; and (iii) any by-laws or other rules or regulations of the Owners Association. Borrower shall promptly pay, when due, all dues and assessments imposed pursuant to the Constituent Documents.

**B. Property Insurance.** So long as the Owners Association maintains, with a generally accepted insurance carrier, a "master" or "blanket" policy insuring the Property which is satisfactory to Lender and which provides insurance coverage in the amounts (including deductible levels), for the periods, and against loss by fire, hazards included within the term "extended coverage", and any other hazards, including, but not limited to, earthquakes and floods, for which Lender requires insurance, then:

(i) Lender waives the provision in Section 3 for the Periodic Payment to Lender of the yearly premium installments for property insurance on the Property; and (ii) Borrower's obligation under Section 5 to maintain property insurance coverage on the Property is deemed satisfied to the extent that the required coverage is provided by the Owners Association policy.

What Lender requires as a condition of this waiver can change during the term of the loan.

Borrower shall give Lender prompt notice of any lapse in required property insurance coverage provided by the master or blanket policy.

In the event of a distribution of property insurance proceeds in lieu of restoration or repair following a loss to the Property, or to common areas and facilities of the PUD, any proceeds payable to Borrower are hereby assigned and shall be paid to Lender. Lender shall apply the proceeds to the sums secured by the Security Instrument, whether or not then due, with the excess, if any, paid to Borrower.

**C. Public Liability Insurance.** Borrower shall take such actions as may be reasonable to insure that the Owners Association maintains a public liability insurance policy acceptable in form, amount, and extent of coverage to Lender.

**D. Condemnation.** The proceeds of any award or claim for damages, direct or consequential, payable to Borrower in connection with any condemnation or other taking of all or any part of the Property or the common areas and facilities of the PUD, or for any conveyance in lieu of condemnation, are hereby assigned and shall be paid to Lender. Such proceeds shall be applied by Lender to the sums secured by the Security Instrument as provided in Section 11.

**E. Lender's Prior Consent.** Borrower shall not, except after notice to Lender and with Lender's prior written consent, either partition or subdivide the Property or consent to: (i) the abandonment or termination of the PUD, except for abandonment or termination required by law in the case of substantial destruction by fire or other casualty or in the case of a taking by condemnation or eminent domain; (ii) any amendment to any provision of the "Constituent Documents" if the provision is for the express benefit of Lender; (iii) termination of professional management and assumption of self-management of the Owners Association; or (iv) any action which would have the effect of rendering the public liability insurance coverage maintained by the Owners Association unacceptable to Lender.

**F. Remedies.** If Borrower does not pay PUD dues and assessments when due, then Lender may pay them. Any amounts disbursed by Lender under this paragraph F shall become additional debt of Borrower secured by the Security Instrument. Unless Borrower and Lender agree to other terms of payment, these amounts shall bear interest from the date of disbursement at the Note rate and shall be payable, with interest, upon notice from Lender to Borrower requesting payment.

BY SIGNING BELOW, Borrower accepts and agrees to the terms and covenants contained in this PUD Rider.

\_\_\_\_\_  
Signature Date  
**Johnny Go Lightly**

\_\_\_\_\_  
Signature Date  
**Tread Lightly**

*[Sign Originals Only]*

## Request for Taxpayer Identification Number and Certification

**Give Form to the  
 requester. Do not  
 send to the IRS.**

<b>Print or type See Specific Instructions on page 2.</b>	Name (as shown on your income tax return) <b>Tread Lightly</b>	
	Business name/disregarded entity name, if different from above	
	Check appropriate box for federal tax classification: <input checked="" type="checkbox"/> Individual/sole proprietor <input type="checkbox"/> C Corporation <input type="checkbox"/> S Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> Trust/estate  <input type="checkbox"/> Limited liability company. Enter the tax classification (C=C corporation, S=S corporation, P=partnership) ▶  <input type="checkbox"/> Other (see instructions) ▶	
	<input type="checkbox"/> Exempt payee	
	Address (number, street, and apt. or suite no.) <b>123 Sunset Drive</b>	Requester's name and address (optional)
City, state, and ZIP code <b>Dallas, TX 75205</b>		
List account number(s) here (optional)		

### Part I Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. The TIN provided must match the name given on the "Name" line to avoid backup withholding. For individuals, this is your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the Part I instructions on page 3. For other entities, it is your employer identification number (EIN). If you do not have a number, see *How to get a TIN* on page 3.

Social security number									

**Note.** If the account is in more than one name, see the chart on page 4 for guidelines on whose number to enter.

Employer identification number									

### Part II Certification

Under penalties of perjury, I certify that:

1. The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me), and
2. I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding, and
3. I am a U.S. citizen or other U.S. person (defined below).

**Certification instructions.** You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and generally, payments other than interest and dividends, you are not required to sign the certification, but you must provide your correct TIN. See the instructions on page 4.

<b>Sign Here</b>	Signature of U.S. person ▶	Date ▶
------------------	----------------------------	--------

### General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

#### Purpose of Form

A person who is required to file an information return with the IRS must obtain your correct taxpayer identification number (TIN) to report, for example, income paid to you, real estate transactions, mortgage interest you paid, acquisition or abandonment of secured property, cancellation of debt, or contributions you made to an IRA.

Use Form W-9 only if you are a U.S. person (including a resident alien), to provide your correct TIN to the person requesting it (the requester) and, when applicable, to:

1. Certify that the TIN you are giving is correct (or you are waiting for a number to be issued),
2. Certify that you are not subject to backup withholding, or
3. Claim exemption from backup withholding if you are a U.S. exempt payee. If applicable, you are also certifying that as a U.S. person, your allocable share of any partnership income from a U.S. trade or business is not subject to the withholding tax on foreign partners' share of effectively connected income.

**Note.** If a requester gives you a form other than Form W-9 to request your TIN, you must use the requester's form if it is substantially similar to this Form W-9.

**Definition of a U.S. person.** For federal tax purposes, you are considered a U.S. person if you are:

- An individual who is a U.S. citizen or U.S. resident alien,
- A partnership, corporation, company, or association created or organized in the United States or under the laws of the United States,
- An estate (other than a foreign estate), or
- A domestic trust (as defined in Regulations section 301.7701-7).

**Special rules for partnerships.** Partnerships that conduct a trade or business in the United States are generally required to pay a withholding tax on any foreign partners' share of income from such business. Further, in certain cases where a Form W-9 has not been received, a partnership is required to presume that a partner is a foreign person, and pay the withholding tax. Therefore, if you are a U.S. person that is a partner in a partnership conducting a trade or business in the United States, provide Form W-9 to the partnership to establish your U.S. status and avoid withholding on your share of partnership income.

The person who gives Form W-9 to the partnership for purposes of establishing its U.S. status and avoiding withholding on its allocable share of net income from the partnership conducting a trade or business in the United States is in the following cases:

- The U.S. owner of a disregarded entity and not the entity,
- The U.S. grantor or other owner of a grantor trust and not the trust, and
- The U.S. trust (other than a grantor trust) and not the beneficiaries of the trust.

**Foreign person.** If you are a foreign person, do not use Form W-9. Instead, use the appropriate Form W-8 (see Publication 515, Withholding of Tax on Nonresident Aliens and Foreign Entities).

**Nonresident alien who becomes a resident alien.** Generally, only a nonresident alien individual may use the terms of a tax treaty to reduce or eliminate U.S. tax on certain types of income. However, most tax treaties contain a provision known as a “saving clause.” Exceptions specified in the saving clause may permit an exemption from tax to continue for certain types of income even after the payee has otherwise become a U.S. resident alien for tax purposes.

If you are a U.S. resident alien who is relying on an exception contained in the saving clause of a tax treaty to claim an exemption from U.S. tax on certain types of income, you must attach a statement to Form W-9 that specifies the following five items:

1. The treaty country. Generally, this must be the same treaty under which you claimed exemption from tax as a nonresident alien.
2. The treaty article addressing the income.
3. The article number (or location) in the tax treaty that contains the saving clause and its exceptions.
4. The type and amount of income that qualifies for the exemption from tax.
5. Sufficient facts to justify the exemption from tax under the terms of the treaty article.

**Example.** Article 20 of the U.S.-China income tax treaty allows an exemption from tax for scholarship income received by a Chinese student temporarily present in the United States. Under U.S. law, this student will become a resident alien for tax purposes if his or her stay in the United States exceeds 5 calendar years. However, paragraph 2 of the first Protocol to the U.S.-China treaty (dated April 30, 1984) allows the provisions of Article 20 to continue to apply even after the Chinese student becomes a resident alien of the United States. A Chinese student who qualifies for this exception (under paragraph 2 of the first protocol) and is relying on this exception to claim an exemption from tax on his or her scholarship or fellowship income would attach to Form W-9 a statement that includes the information described above to support that exemption.

If you are a nonresident alien or a foreign entity not subject to backup withholding, give the requester the appropriate completed Form W-8.

**What is backup withholding?** Persons making certain payments to you must under certain conditions withhold and pay to the IRS a percentage of such payments. This is called “backup withholding.” Payments that may be subject to backup withholding include interest, tax-exempt interest, dividends, broker and barter exchange transactions, rents, royalties, nonemployee pay, and certain payments from fishing boat operators. Real estate transactions are not subject to backup withholding.

You will not be subject to backup withholding on payments you receive if you give the requester your correct TIN, make the proper certifications, and report all your taxable interest and dividends on your tax return.

#### **Payments you receive will be subject to backup withholding if:**

1. You do not furnish your TIN to the requester,
2. You do not certify your TIN when required (see the Part II instructions on page 3 for details),
3. The IRS tells the requester that you furnished an incorrect TIN,
4. The IRS tells you that you are subject to backup withholding because you did not report all your interest and dividends on your tax return (for reportable interest and dividends only), or
5. You do not certify to the requester that you are not subject to backup withholding under 4 above (for reportable interest and dividend accounts opened after 1983 only).

Certain payees and payments are exempt from backup withholding. See the instructions below and the separate Instructions for the Requester of Form W-9.

Also see *Special rules for partnerships* on page 1.

### **Updating Your Information**

You must provide updated information to any person to whom you claimed to be an exempt payee if you are no longer an exempt payee and anticipate receiving reportable payments in the future from this person. For example, you may need to provide updated information if you are a C corporation that elects to be an S corporation, or if you no longer are tax exempt. In addition, you must furnish a new Form W-9 if the name or TIN changes for the account, for example, if the grantor of a grantor trust dies.

### **Penalties**

**Failure to furnish TIN.** If you fail to furnish your correct TIN to a requester, you are subject to a penalty of \$50 for each such failure unless your failure is due to reasonable cause and not to willful neglect.

**Civil penalty for false information with respect to withholding.** If you make a false statement with no reasonable basis that results in no backup withholding, you are subject to a \$500 penalty.

**Criminal penalty for falsifying information.** Willfully falsifying certifications or affirmations may subject you to criminal penalties including fines and/or imprisonment.

**Misuse of TINs.** If the requester discloses or uses TINs in violation of federal law, the requester may be subject to civil and criminal penalties.

### **Specific Instructions**

#### **Name**

If you are an individual, you must generally enter the name shown on your income tax return. However, if you have changed your last name, for instance, due to marriage without informing the Social Security Administration of the name change, enter your first name, the last name shown on your social security card, and your new last name.

If the account is in joint names, list first, and then circle, the name of the person or entity whose number you entered in Part I of the form.

**Sole proprietor.** Enter your individual name as shown on your income tax return on the “Name” line. You may enter your business, trade, or “doing business as (DBA)” name on the “Business name/disregarded entity name” line.

**Partnership, C Corporation, or S Corporation.** Enter the entity's name on the “Name” line and any business, trade, or “doing business as (DBA) name” on the “Business name/disregarded entity name” line.

**Disregarded entity.** Enter the owner's name on the “Name” line. The name of the entity entered on the “Name” line should never be a disregarded entity. The name on the “Name” line must be the name shown on the income tax return on which the income will be reported. For example, if a foreign LLC that is treated as a disregarded entity for U.S. federal tax purposes has a domestic owner, the domestic owner's name is required to be provided on the “Name” line. If the direct owner of the entity is also a disregarded entity, enter the first owner that is not disregarded for federal tax purposes. Enter the disregarded entity's name on the “Business name/disregarded entity name” line. If the owner of the disregarded entity is a foreign person, you must complete an appropriate Form W-8.

**Note.** Check the appropriate box for the federal tax classification of the person whose name is entered on the “Name” line (Individual/sole proprietor, Partnership, C Corporation, S Corporation, Trust/estate).

**Limited Liability Company (LLC).** If the person identified on the “Name” line is an LLC, check the “Limited liability company” box only and enter the appropriate code for the tax classification in the space provided. If you are an LLC that is treated as a partnership for federal tax purposes, enter “P” for partnership. If you are an LLC that has filed a Form 8832 or a Form 2553 to be taxed as a corporation, enter “C” for C corporation or “S” for S corporation. If you are an LLC that is disregarded as an entity separate from its owner under Regulation section 301.7701-3 (except for employment and excise tax), do not check the LLC box unless the owner of the LLC (required to be identified on the “Name” line) is another LLC that is not disregarded for federal tax purposes. If the LLC is disregarded as an entity separate from its owner, enter the appropriate tax classification of the owner identified on the “Name” line.

**Other entities.** Enter your business name as shown on required federal tax documents on the "Name" line. This name should match the name shown on the charter or other legal document creating the entity. You may enter any business, trade, or DBA name on the "Business name/disregarded entity name" line.

## Exempt Payee

If you are exempt from backup withholding, enter your name as described above and check the appropriate box for your status, then check the "Exempt payee" box in the line following the "Business name/disregarded entity name," sign and date the form.

Generally, individuals (including sole proprietors) are not exempt from backup withholding. Corporations are exempt from backup withholding for certain payments, such as interest and dividends.

**Note.** If you are exempt from backup withholding, you should still complete this form to avoid possible erroneous backup withholding.

The following payees are exempt from backup withholding:

1. An organization exempt from tax under section 501(a), any IRA, or a custodial account under section 403(b)(7) if the account satisfies the requirements of section 401(f)(2),
  2. The United States or any of its agencies or instrumentalities,
  3. A state, the District of Columbia, a possession of the United States, or any of their political subdivisions or instrumentalities,
  4. A foreign government or any of its political subdivisions, agencies, or instrumentalities, or
  5. An international organization or any of its agencies or instrumentalities.
- Other payees that may be exempt from backup withholding include:
6. A corporation,
  7. A foreign central bank of issue,
  8. A dealer in securities or commodities required to register in the United States, the District of Columbia, or a possession of the United States,
  9. A futures commission merchant registered with the Commodity Futures Trading Commission,
  10. A real estate investment trust,
  11. An entity registered at all times during the tax year under the Investment Company Act of 1940,
  12. A common trust fund operated by a bank under section 584(a),
  13. A financial institution,
  14. A middleman known in the investment community as a nominee or custodian, or
  15. A trust exempt from tax under section 664 or described in section 4947.

The following chart shows types of payments that may be exempt from backup withholding. The chart applies to the exempt payees listed above, 1 through 15.

IF the payment is for . . .	THEN the payment is exempt for . . .
Interest and dividend payments	All exempt payees except for 9
Broker transactions	Exempt payees 1 through 5 and 7 through 13. Also, C corporations.
Barter exchange transactions and patronage dividends	Exempt payees 1 through 5
Payments over \$600 required to be reported and direct sales over \$5,000 <sup>1</sup>	Generally, exempt payees 1 through 7 <sup>2</sup>

<sup>1</sup> See Form 1099-MISC, Miscellaneous Income, and its instructions.

<sup>2</sup> However, the following payments made to a corporation and reportable on Form 1099-MISC are not exempt from backup withholding: medical and health care payments, attorneys' fees, gross proceeds paid to an attorney, and payments for services paid by a federal executive agency.

## Part I. Taxpayer Identification Number (TIN)

**Enter your TIN in the appropriate box.** If you are a resident alien and you do not have and are not eligible to get an SSN, your TIN is your IRS individual taxpayer identification number (ITIN). Enter it in the social security number box. If you do not have an ITIN, see *How to get a TIN* below.

If you are a sole proprietor and you have an EIN, you may enter either your SSN or EIN. However, the IRS prefers that you use your SSN.

If you are a single-member LLC that is disregarded as an entity separate from its owner (see *Limited Liability Company (LLC)* on page 2), enter the owner's SSN (or EIN, if the owner has one). Do not enter the disregarded entity's EIN. If the LLC is classified as a corporation or partnership, enter the entity's EIN.

**Note.** See the chart on page 4 for further clarification of name and TIN combinations.

**How to get a TIN.** If you do not have a TIN, apply for one immediately. To apply for an SSN, get Form SS-5, Application for a Social Security Card, from your local Social Security Administration office or get this form online at [www.ssa.gov](http://www.ssa.gov). You may also get this form by calling 1-800-772-1213. Use Form W-7, Application for IRS Individual Taxpayer Identification Number, to apply for an ITIN, or Form SS-4, Application for Employer Identification Number, to apply for an EIN. You can apply for an EIN online by accessing the IRS website at [www.irs.gov/businesses](http://www.irs.gov/businesses) and clicking on Employer Identification Number (EIN) under Starting a Business. You can get Forms W-7 and SS-4 from the IRS by visiting [IRS.gov](http://IRS.gov) or by calling 1-800-TAX-FORM (1-800-829-3676).

If you are asked to complete Form W-9 but do not have a TIN, write "Applied For" in the space for the TIN, sign and date the form, and give it to the requester. For interest and dividend payments, and certain payments made with respect to readily tradable instruments, generally you will have 60 days to get a TIN and give it to the requester before you are subject to backup withholding on payments. The 60-day rule does not apply to other types of payments. You will be subject to backup withholding on all such payments until you provide your TIN to the requester.

**Note.** Entering "Applied For" means that you have already applied for a TIN or that you intend to apply for one soon.

**Caution:** A disregarded domestic entity that has a foreign owner must use the appropriate Form W-8.

## Part II. Certification

To establish to the withholding agent that you are a U.S. person, or resident alien, sign Form W-9. You may be requested to sign by the withholding agent even if item 1, below, and items 4 and 5 on page 4 indicate otherwise.

For a joint account, only the person whose TIN is shown in Part I should sign (when required). In the case of a disregarded entity, the person identified on the "Name" line must sign. Exempt payees, see *Exempt Payee* on page 3.

**Signature requirements.** Complete the certification as indicated in items 1 through 3, below, and items 4 and 5 on page 4.

**1. Interest, dividend, and barter exchange accounts opened before 1984 and broker accounts considered active during 1983.** You must give your correct TIN, but you do not have to sign the certification.

**2. Interest, dividend, broker, and barter exchange accounts opened after 1983 and broker accounts considered inactive during 1983.** You must sign the certification or backup withholding will apply. If you are subject to backup withholding and you are merely providing your correct TIN to the requester, you must cross out item 2 in the certification before signing the form.

**3. Real estate transactions.** You must sign the certification. You may cross out item 2 of the certification.

**4. Other payments.** You must give your correct TIN, but you do not have to sign the certification unless you have been notified that you have previously given an incorrect TIN. "Other payments" include payments made in the course of the requester's trade or business for rents, royalties, goods (other than bills for merchandise), medical and health care services (including payments to corporations), payments to a nonemployee for services, payments to certain fishing boat crew members and fishermen, and gross proceeds paid to attorneys (including payments to corporations).

**5. Mortgage interest paid by you, acquisition or abandonment of secured property, cancellation of debt, qualified tuition program payments (under section 529), IRA, Coverdell ESA, Archer MSA or HSA contributions or distributions, and pension distributions.** You must give your correct TIN, but you do not have to sign the certification.

### What Name and Number To Give the Requester

For this type of account:	Give name and SSN of:
1. Individual	The individual
2. Two or more individuals (joint account)	The actual owner of the account or, if combined funds, the first individual on the account <sup>1</sup>
3. Custodian account of a minor (Uniform Gift to Minors Act)	The minor <sup>2</sup>
4. a. The usual revocable savings trust (grantor is also trustee) b. So-called trust account that is not a legal or valid trust under state law	The grantor-trustee <sup>1</sup> The actual owner <sup>1</sup>
5. Sole proprietorship or disregarded entity owned by an individual	The owner <sup>3</sup>
6. Grantor trust filing under Optional Form 1099 Filing Method 1 (see Regulation section 1.671-4(b)(2)(i)(A))	The grantor*
For this type of account:	Give name and EIN of:
7. Disregarded entity not owned by an individual	The owner
8. A valid trust, estate, or pension trust	Legal entity <sup>4</sup>
9. Corporation or LLC electing corporate status on Form 8832 or Form 2553	The corporation
10. Association, club, religious, charitable, educational, or other tax-exempt organization	The organization
11. Partnership or multi-member LLC	The partnership
12. A broker or registered nominee	The broker or nominee
13. Account with the Department of Agriculture in the name of a public entity (such as a state or local government, school district, or prison) that receives agricultural program payments	The public entity
14. Grantor trust filing under the Form 1041 Filing Method or the Optional Form 1099 Filing Method 2 (see Regulation section 1.671-4(b)(2)(i)(B))	The trust

<sup>1</sup> List first and circle the name of the person whose number you furnish. If only one person on a joint account has an SSN, that person's number must be furnished.

<sup>2</sup> Circle the minor's name and furnish the minor's SSN.

<sup>3</sup> You must show your individual name and you may also enter your business or "DBA" name on the "Business name/disregarded entity" name line. You may use either your SSN or EIN (if you have one), but the IRS encourages you to use your SSN.

<sup>4</sup> List first and circle the name of the trust, estate, or pension trust. (Do not furnish the TIN of the personal representative or trustee unless the legal entity itself is not designated in the account title.) Also see *Special rules for partnerships* on page 1.

\*Note. Grantor also must provide a Form W-9 to trustee of trust.

**Note.** If no name is circled when more than one name is listed, the number will be considered to be that of the first name listed.

### Secure Your Tax Records from Identity Theft

Identity theft occurs when someone uses your personal information such as your name, social security number (SSN), or other identifying information, without your permission, to commit fraud or other crimes. An identity thief may use your SSN to get a job or may file a tax return using your SSN to receive a refund.

To reduce your risk:

- Protect your SSN,
- Ensure your employer is protecting your SSN, and
- Be careful when choosing a tax preparer.

If your tax records are affected by identity theft and you receive a notice from the IRS, respond right away to the name and phone number printed on the IRS notice or letter.

If your tax records are not currently affected by identity theft but you think you are at risk due to a lost or stolen purse or wallet, questionable credit card activity or credit report, contact the IRS Identity Theft Hotline at 1-800-908-4490 or submit Form 14039.

For more information, see Publication 4535, Identity Theft Prevention and Victim Assistance.

Victims of identity theft who are experiencing economic harm or a system problem, or are seeking help in resolving tax problems that have not been resolved through normal channels, may be eligible for Taxpayer Advocate Service (TAS) assistance. You can reach TAS by calling the TAS toll-free case intake line at 1-877-777-4778 or TTY/TDD 1-800-829-4059.

#### Protect yourself from suspicious emails or phishing schemes.

Phishing is the creation and use of email and websites designed to mimic legitimate business emails and websites. The most common act is sending an email to a user falsely claiming to be an established legitimate enterprise in an attempt to scam the user into surrendering private information that will be used for identity theft.

The IRS does not initiate contacts with taxpayers via emails. Also, the IRS does not request personal detailed information through email or ask taxpayers for the PIN numbers, passwords, or similar secret access information for their credit card, bank, or other financial accounts.

If you receive an unsolicited email claiming to be from the IRS, forward this message to [phishing@irs.gov](mailto:phishing@irs.gov). You may also report misuse of the IRS name, logo, or other IRS property to the Treasury Inspector General for Tax Administration at 1-800-366-4484. You can forward suspicious emails to the Federal Trade Commission at: [spam@uce.gov](mailto:spam@uce.gov) or contact them at [www.ftc.gov/idtheft](http://www.ftc.gov/idtheft) or 1-877-IDTHEFT (1-877-438-4338).

Visit [IRS.gov](http://IRS.gov) to learn more about identity theft and how to reduce your risk.

### Privacy Act Notice

Section 6109 of the Internal Revenue Code requires you to provide your correct TIN to persons (including federal agencies) who are required to file information returns with the IRS to report interest, dividends, or certain other income paid to you; mortgage interest you paid; the acquisition or abandonment of secured property; the cancellation of debt; or contributions you made to an IRA, Archer MSA, or HSA. The person collecting this form uses the information on the form to file information returns with the IRS, reporting the above information. Routine uses of this information include giving it to the Department of Justice for civil and criminal litigation and to cities, states, the District of Columbia, and U.S. possessions for use in administering their laws. The information also may be disclosed to other countries under a treaty, to federal and state agencies to enforce civil and criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism. You must provide your TIN whether or not you are required to file a tax return. Under section 3406, payers must generally withhold a percentage of taxable interest, dividend, and certain other payments to a payee who does not give a TIN to the payer. Certain penalties may also apply for providing false or fraudulent information.

## Request for Taxpayer Identification Number and Certification

**Give Form to the  
 requester. Do not  
 send to the IRS.**

<b>Print or type See Specific Instructions on page 2.</b>	Name (as shown on your income tax return) <b>Johnny Go Lightly</b>	
	Business name/disregarded entity name, if different from above	
	Check appropriate box for federal tax classification: <input checked="" type="checkbox"/> Individual/sole proprietor <input type="checkbox"/> C Corporation <input type="checkbox"/> S Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> Trust/estate  <input type="checkbox"/> Limited liability company. Enter the tax classification (C=C corporation, S=S corporation, P=partnership) ▶  <input type="checkbox"/> Other (see instructions) ▶	
	<input type="checkbox"/> Exempt payee	
	Address (number, street, and apt. or suite no.) <b>123 Sunset Drive</b>	Requester's name and address (optional)
City, state, and ZIP code <b>Dallas, TX 75205</b>		
List account number(s) here (optional)		

### Part I Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. The TIN provided must match the name given on the "Name" line to avoid backup withholding. For individuals, this is your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the Part I instructions on page 3. For other entities, it is your employer identification number (EIN). If you do not have a number, see *How to get a TIN* on page 3.

Social security number									

**Note.** If the account is in more than one name, see the chart on page 4 for guidelines on whose number to enter.

Employer identification number									

### Part II Certification

Under penalties of perjury, I certify that:

1. The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me), and
2. I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding, and
3. I am a U.S. citizen or other U.S. person (defined below).

**Certification instructions.** You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and generally, payments other than interest and dividends, you are not required to sign the certification, but you must provide your correct TIN. See the instructions on page 4.

<b>Sign Here</b>	Signature of U.S. person ▶	Date ▶
------------------	----------------------------	--------

### General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

#### Purpose of Form

A person who is required to file an information return with the IRS must obtain your correct taxpayer identification number (TIN) to report, for example, income paid to you, real estate transactions, mortgage interest you paid, acquisition or abandonment of secured property, cancellation of debt, or contributions you made to an IRA.

Use Form W-9 only if you are a U.S. person (including a resident alien), to provide your correct TIN to the person requesting it (the requester) and, when applicable, to:

1. Certify that the TIN you are giving is correct (or you are waiting for a number to be issued),
2. Certify that you are not subject to backup withholding, or
3. Claim exemption from backup withholding if you are a U.S. exempt payee. If applicable, you are also certifying that as a U.S. person, your allocable share of any partnership income from a U.S. trade or business is not subject to the withholding tax on foreign partners' share of effectively connected income.

**Note.** If a requester gives you a form other than Form W-9 to request your TIN, you must use the requester's form if it is substantially similar to this Form W-9.

**Definition of a U.S. person.** For federal tax purposes, you are considered a U.S. person if you are:

- An individual who is a U.S. citizen or U.S. resident alien,
- A partnership, corporation, company, or association created or organized in the United States or under the laws of the United States,
- An estate (other than a foreign estate), or
- A domestic trust (as defined in Regulations section 301.7701-7).

**Special rules for partnerships.** Partnerships that conduct a trade or business in the United States are generally required to pay a withholding tax on any foreign partners' share of income from such business. Further, in certain cases where a Form W-9 has not been received, a partnership is required to presume that a partner is a foreign person, and pay the withholding tax. Therefore, if you are a U.S. person that is a partner in a partnership conducting a trade or business in the United States, provide Form W-9 to the partnership to establish your U.S. status and avoid withholding on your share of partnership income.



The person who gives Form W-9 to the partnership for purposes of establishing its U.S. status and avoiding withholding on its allocable share of net income from the partnership conducting a trade or business in the United States is in the following cases:

- The U.S. owner of a disregarded entity and not the entity,
- The U.S. grantor or other owner of a grantor trust and not the trust, and
- The U.S. trust (other than a grantor trust) and not the beneficiaries of the trust.

**Foreign person.** If you are a foreign person, do not use Form W-9. Instead, use the appropriate Form W-8 (see Publication 515, Withholding of Tax on Nonresident Aliens and Foreign Entities).

**Nonresident alien who becomes a resident alien.** Generally, only a nonresident alien individual may use the terms of a tax treaty to reduce or eliminate U.S. tax on certain types of income. However, most tax treaties contain a provision known as a “saving clause.” Exceptions specified in the saving clause may permit an exemption from tax to continue for certain types of income even after the payee has otherwise become a U.S. resident alien for tax purposes.

If you are a U.S. resident alien who is relying on an exception contained in the saving clause of a tax treaty to claim an exemption from U.S. tax on certain types of income, you must attach a statement to Form W-9 that specifies the following five items:

1. The treaty country. Generally, this must be the same treaty under which you claimed exemption from tax as a nonresident alien.
2. The treaty article addressing the income.
3. The article number (or location) in the tax treaty that contains the saving clause and its exceptions.
4. The type and amount of income that qualifies for the exemption from tax.
5. Sufficient facts to justify the exemption from tax under the terms of the treaty article.

**Example.** Article 20 of the U.S.-China income tax treaty allows an exemption from tax for scholarship income received by a Chinese student temporarily present in the United States. Under U.S. law, this student will become a resident alien for tax purposes if his or her stay in the United States exceeds 5 calendar years. However, paragraph 2 of the first Protocol to the U.S.-China treaty (dated April 30, 1984) allows the provisions of Article 20 to continue to apply even after the Chinese student becomes a resident alien of the United States. A Chinese student who qualifies for this exception (under paragraph 2 of the first protocol) and is relying on this exception to claim an exemption from tax on his or her scholarship or fellowship income would attach to Form W-9 a statement that includes the information described above to support that exemption.

If you are a nonresident alien or a foreign entity not subject to backup withholding, give the requester the appropriate completed Form W-8.

**What is backup withholding?** Persons making certain payments to you must under certain conditions withhold and pay to the IRS a percentage of such payments. This is called “backup withholding.” Payments that may be subject to backup withholding include interest, tax-exempt interest, dividends, broker and barter exchange transactions, rents, royalties, nonemployee pay, and certain payments from fishing boat operators. Real estate transactions are not subject to backup withholding.

You will not be subject to backup withholding on payments you receive if you give the requester your correct TIN, make the proper certifications, and report all your taxable interest and dividends on your tax return.

#### **Payments you receive will be subject to backup withholding if:**

1. You do not furnish your TIN to the requester,
2. You do not certify your TIN when required (see the Part II instructions on page 3 for details),
3. The IRS tells the requester that you furnished an incorrect TIN,
4. The IRS tells you that you are subject to backup withholding because you did not report all your interest and dividends on your tax return (for reportable interest and dividends only), or
5. You do not certify to the requester that you are not subject to backup withholding under 4 above (for reportable interest and dividend accounts opened after 1983 only).

Certain payees and payments are exempt from backup withholding. See the instructions below and the separate Instructions for the Requester of Form W-9.

Also see *Special rules for partnerships* on page 1.

### **Updating Your Information**

You must provide updated information to any person to whom you claimed to be an exempt payee if you are no longer an exempt payee and anticipate receiving reportable payments in the future from this person. For example, you may need to provide updated information if you are a C corporation that elects to be an S corporation, or if you no longer are tax exempt. In addition, you must furnish a new Form W-9 if the name or TIN changes for the account, for example, if the grantor of a grantor trust dies.

### **Penalties**

**Failure to furnish TIN.** If you fail to furnish your correct TIN to a requester, you are subject to a penalty of \$50 for each such failure unless your failure is due to reasonable cause and not to willful neglect.

**Civil penalty for false information with respect to withholding.** If you make a false statement with no reasonable basis that results in no backup withholding, you are subject to a \$500 penalty.

**Criminal penalty for falsifying information.** Willfully falsifying certifications or affirmations may subject you to criminal penalties including fines and/or imprisonment.

**Misuse of TINs.** If the requester discloses or uses TINs in violation of federal law, the requester may be subject to civil and criminal penalties.

### **Specific Instructions**

#### **Name**

If you are an individual, you must generally enter the name shown on your income tax return. However, if you have changed your last name, for instance, due to marriage without informing the Social Security Administration of the name change, enter your first name, the last name shown on your social security card, and your new last name.

If the account is in joint names, list first, and then circle, the name of the person or entity whose number you entered in Part I of the form.

**Sole proprietor.** Enter your individual name as shown on your income tax return on the “Name” line. You may enter your business, trade, or “doing business as (DBA)” name on the “Business name/disregarded entity name” line.

**Partnership, C Corporation, or S Corporation.** Enter the entity's name on the “Name” line and any business, trade, or “doing business as (DBA) name” on the “Business name/disregarded entity name” line.

**Disregarded entity.** Enter the owner's name on the “Name” line. The name of the entity entered on the “Name” line should never be a disregarded entity. The name on the “Name” line must be the name shown on the income tax return on which the income will be reported. For example, if a foreign LLC that is treated as a disregarded entity for U.S. federal tax purposes has a domestic owner, the domestic owner's name is required to be provided on the “Name” line. If the direct owner of the entity is also a disregarded entity, enter the first owner that is not disregarded for federal tax purposes. Enter the disregarded entity's name on the “Business name/disregarded entity name” line. If the owner of the disregarded entity is a foreign person, you must complete an appropriate Form W-8.

**Note.** Check the appropriate box for the federal tax classification of the person whose name is entered on the “Name” line (Individual/sole proprietor, Partnership, C Corporation, S Corporation, Trust/estate).

**Limited Liability Company (LLC).** If the person identified on the “Name” line is an LLC, check the “Limited liability company” box only and enter the appropriate code for the tax classification in the space provided. If you are an LLC that is treated as a partnership for federal tax purposes, enter “P” for partnership. If you are an LLC that has filed a Form 8832 or a Form 2553 to be taxed as a corporation, enter “C” for C corporation or “S” for S corporation. If you are an LLC that is disregarded as an entity separate from its owner under Regulation section 301.7701-3 (except for employment and excise tax), do not check the LLC box unless the owner of the LLC (required to be identified on the “Name” line) is another LLC that is not disregarded for federal tax purposes. If the LLC is disregarded as an entity separate from its owner, enter the appropriate tax classification of the owner identified on the “Name” line.

**Other entities.** Enter your business name as shown on required federal tax documents on the "Name" line. This name should match the name shown on the charter or other legal document creating the entity. You may enter any business, trade, or DBA name on the "Business name/disregarded entity name" line.

## Exempt Payee

If you are exempt from backup withholding, enter your name as described above and check the appropriate box for your status, then check the "Exempt payee" box in the line following the "Business name/disregarded entity name," sign and date the form.

Generally, individuals (including sole proprietors) are not exempt from backup withholding. Corporations are exempt from backup withholding for certain payments, such as interest and dividends.

**Note.** If you are exempt from backup withholding, you should still complete this form to avoid possible erroneous backup withholding.

The following payees are exempt from backup withholding:

1. An organization exempt from tax under section 501(a), any IRA, or a custodial account under section 403(b)(7) if the account satisfies the requirements of section 401(f)(2),
  2. The United States or any of its agencies or instrumentalities,
  3. A state, the District of Columbia, a possession of the United States, or any of their political subdivisions or instrumentalities,
  4. A foreign government or any of its political subdivisions, agencies, or instrumentalities, or
  5. An international organization or any of its agencies or instrumentalities.
- Other payees that may be exempt from backup withholding include:
6. A corporation,
  7. A foreign central bank of issue,
  8. A dealer in securities or commodities required to register in the United States, the District of Columbia, or a possession of the United States,
  9. A futures commission merchant registered with the Commodity Futures Trading Commission,
  10. A real estate investment trust,
  11. An entity registered at all times during the tax year under the Investment Company Act of 1940,
  12. A common trust fund operated by a bank under section 584(a),
  13. A financial institution,
  14. A middleman known in the investment community as a nominee or custodian, or
  15. A trust exempt from tax under section 664 or described in section 4947.

The following chart shows types of payments that may be exempt from backup withholding. The chart applies to the exempt payees listed above, 1 through 15.

IF the payment is for . . .	THEN the payment is exempt for . . .
Interest and dividend payments	All exempt payees except for 9
Broker transactions	Exempt payees 1 through 5 and 7 through 13. Also, C corporations.
Barter exchange transactions and patronage dividends	Exempt payees 1 through 5
Payments over \$600 required to be reported and direct sales over \$5,000 <sup>1</sup>	Generally, exempt payees 1 through 7 <sup>2</sup>

<sup>1</sup> See Form 1099-MISC, Miscellaneous Income, and its instructions.

<sup>2</sup> However, the following payments made to a corporation and reportable on Form 1099-MISC are not exempt from backup withholding: medical and health care payments, attorneys' fees, gross proceeds paid to an attorney, and payments for services paid by a federal executive agency.

## Part I. Taxpayer Identification Number (TIN)

**Enter your TIN in the appropriate box.** If you are a resident alien and you do not have and are not eligible to get an SSN, your TIN is your IRS individual taxpayer identification number (ITIN). Enter it in the social security number box. If you do not have an ITIN, see *How to get a TIN* below.

If you are a sole proprietor and you have an EIN, you may enter either your SSN or EIN. However, the IRS prefers that you use your SSN.

If you are a single-member LLC that is disregarded as an entity separate from its owner (see *Limited Liability Company (LLC)* on page 2), enter the owner's SSN (or EIN, if the owner has one). Do not enter the disregarded entity's EIN. If the LLC is classified as a corporation or partnership, enter the entity's EIN.

**Note.** See the chart on page 4 for further clarification of name and TIN combinations.

**How to get a TIN.** If you do not have a TIN, apply for one immediately. To apply for an SSN, get Form SS-5, Application for a Social Security Card, from your local Social Security Administration office or get this form online at [www.ssa.gov](http://www.ssa.gov). You may also get this form by calling 1-800-772-1213. Use Form W-7, Application for IRS Individual Taxpayer Identification Number, to apply for an ITIN, or Form SS-4, Application for Employer Identification Number, to apply for an EIN. You can apply for an EIN online by accessing the IRS website at [www.irs.gov/businesses](http://www.irs.gov/businesses) and clicking on Employer Identification Number (EIN) under Starting a Business. You can get Forms W-7 and SS-4 from the IRS by visiting [IRS.gov](http://IRS.gov) or by calling 1-800-TAX-FORM (1-800-829-3676).

If you are asked to complete Form W-9 but do not have a TIN, write "Applied For" in the space for the TIN, sign and date the form, and give it to the requester. For interest and dividend payments, and certain payments made with respect to readily tradable instruments, generally you will have 60 days to get a TIN and give it to the requester before you are subject to backup withholding on payments. The 60-day rule does not apply to other types of payments. You will be subject to backup withholding on all such payments until you provide your TIN to the requester.

**Note.** Entering "Applied For" means that you have already applied for a TIN or that you intend to apply for one soon.

**Caution:** A disregarded domestic entity that has a foreign owner must use the appropriate Form W-8.

## Part II. Certification

To establish to the withholding agent that you are a U.S. person, or resident alien, sign Form W-9. You may be requested to sign by the withholding agent even if item 1, below, and items 4 and 5 on page 4 indicate otherwise.

For a joint account, only the person whose TIN is shown in Part I should sign (when required). In the case of a disregarded entity, the person identified on the "Name" line must sign. Exempt payees, see *Exempt Payee* on page 3.

**Signature requirements.** Complete the certification as indicated in items 1 through 3, below, and items 4 and 5 on page 4.

**1. Interest, dividend, and barter exchange accounts opened before 1984 and broker accounts considered active during 1983.** You must give your correct TIN, but you do not have to sign the certification.

**2. Interest, dividend, broker, and barter exchange accounts opened after 1983 and broker accounts considered inactive during 1983.** You must sign the certification or backup withholding will apply. If you are subject to backup withholding and you are merely providing your correct TIN to the requester, you must cross out item 2 in the certification before signing the form.

**3. Real estate transactions.** You must sign the certification. You may cross out item 2 of the certification.

**4. Other payments.** You must give your correct TIN, but you do not have to sign the certification unless you have been notified that you have previously given an incorrect TIN. "Other payments" include payments made in the course of the requester's trade or business for rents, royalties, goods (other than bills for merchandise), medical and health care services (including payments to corporations), payments to a nonemployee for services, payments to certain fishing boat crew members and fishermen, and gross proceeds paid to attorneys (including payments to corporations).

**5. Mortgage interest paid by you, acquisition or abandonment of secured property, cancellation of debt, qualified tuition program payments (under section 529), IRA, Coverdell ESA, Archer MSA or HSA contributions or distributions, and pension distributions.** You must give your correct TIN, but you do not have to sign the certification.

### What Name and Number To Give the Requester

For this type of account:	Give name and SSN of:
1. Individual	The individual
2. Two or more individuals (joint account)	The actual owner of the account or, if combined funds, the first individual on the account <sup>1</sup>
3. Custodian account of a minor (Uniform Gift to Minors Act)	The minor <sup>2</sup>
4. a. The usual revocable savings trust (grantor is also trustee) b. So-called trust account that is not a legal or valid trust under state law	The grantor-trustee <sup>1</sup> The actual owner <sup>1</sup>
5. Sole proprietorship or disregarded entity owned by an individual	The owner <sup>3</sup>
6. Grantor trust filing under Optional Form 1099 Filing Method 1 (see Regulation section 1.671-4(b)(2)(i)(A))	The grantor*
For this type of account:	Give name and EIN of:
7. Disregarded entity not owned by an individual	The owner
8. A valid trust, estate, or pension trust	Legal entity <sup>4</sup>
9. Corporation or LLC electing corporate status on Form 8832 or Form 2553	The corporation
10. Association, club, religious, charitable, educational, or other tax-exempt organization	The organization
11. Partnership or multi-member LLC	The partnership
12. A broker or registered nominee	The broker or nominee
13. Account with the Department of Agriculture in the name of a public entity (such as a state or local government, school district, or prison) that receives agricultural program payments	The public entity
14. Grantor trust filing under the Form 1041 Filing Method or the Optional Form 1099 Filing Method 2 (see Regulation section 1.671-4(b)(2)(i)(B))	The trust

<sup>1</sup> List first and circle the name of the person whose number you furnish. If only one person on a joint account has an SSN, that person's number must be furnished.

<sup>2</sup> Circle the minor's name and furnish the minor's SSN.

<sup>3</sup> You must show your individual name and you may also enter your business or "DBA" name on the "Business name/disregarded entity" name line. You may use either your SSN or EIN (if you have one), but the IRS encourages you to use your SSN.

<sup>4</sup> List first and circle the name of the trust, estate, or pension trust. (Do not furnish the TIN of the personal representative or trustee unless the legal entity itself is not designated in the account title.) Also see *Special rules for partnerships* on page 1.

\*Note. Grantor also must provide a Form W-9 to trustee of trust.

**Note.** If no name is circled when more than one name is listed, the number will be considered to be that of the first name listed.

### Secure Your Tax Records from Identity Theft

Identity theft occurs when someone uses your personal information such as your name, social security number (SSN), or other identifying information, without your permission, to commit fraud or other crimes. An identity thief may use your SSN to get a job or may file a tax return using your SSN to receive a refund.

To reduce your risk:

- Protect your SSN,
- Ensure your employer is protecting your SSN, and
- Be careful when choosing a tax preparer.

If your tax records are affected by identity theft and you receive a notice from the IRS, respond right away to the name and phone number printed on the IRS notice or letter.

If your tax records are not currently affected by identity theft but you think you are at risk due to a lost or stolen purse or wallet, questionable credit card activity or credit report, contact the IRS Identity Theft Hotline at 1-800-908-4490 or submit Form 14039.

For more information, see Publication 4535, Identity Theft Prevention and Victim Assistance.

Victims of identity theft who are experiencing economic harm or a system problem, or are seeking help in resolving tax problems that have not been resolved through normal channels, may be eligible for Taxpayer Advocate Service (TAS) assistance. You can reach TAS by calling the TAS toll-free case intake line at 1-877-777-4778 or TTY/TDD 1-800-829-4059.

#### Protect yourself from suspicious emails or phishing schemes.

Phishing is the creation and use of email and websites designed to mimic legitimate business emails and websites. The most common act is sending an email to a user falsely claiming to be an established legitimate enterprise in an attempt to scam the user into surrendering private information that will be used for identity theft.

The IRS does not initiate contacts with taxpayers via emails. Also, the IRS does not request personal detailed information through email or ask taxpayers for the PIN numbers, passwords, or similar secret access information for their credit card, bank, or other financial accounts.

If you receive an unsolicited email claiming to be from the IRS, forward this message to [phishing@irs.gov](mailto:phishing@irs.gov). You may also report misuse of the IRS name, logo, or other IRS property to the Treasury Inspector General for Tax Administration at 1-800-366-4484. You can forward suspicious emails to the Federal Trade Commission at: [spam@uce.gov](mailto:spam@uce.gov) or contact them at [www.ftc.gov/idtheft](http://www.ftc.gov/idtheft) or 1-877-IDTHEFT (1-877-438-4338).

Visit [IRS.gov](http://IRS.gov) to learn more about identity theft and how to reduce your risk.

### Privacy Act Notice

Section 6109 of the Internal Revenue Code requires you to provide your correct TIN to persons (including federal agencies) who are required to file information returns with the IRS to report interest, dividends, or certain other income paid to you; mortgage interest you paid; the acquisition or abandonment of secured property; the cancellation of debt; or contributions you made to an IRA, Archer MSA, or HSA. The person collecting this form uses the information on the form to file information returns with the IRS, reporting the above information. Routine uses of this information include giving it to the Department of Justice for civil and criminal litigation and to cities, states, the District of Columbia, and U.S. possessions for use in administering their laws. The information also may be disclosed to other countries under a treaty, to federal and state agencies to enforce civil and criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism. You must provide your TIN whether or not you are required to file a tax return. Under section 3406, payers must generally withhold a percentage of taxable interest, dividend, and certain other payments to a payee who does not give a TIN to the payer. Certain penalties may also apply for providing false or fraudulent information.

Lender: **ABC Bank**  
Borrower: **Johnny Go Lightly and Tread Lightly, husband and wife**  
Property: **123 Sunset Drive, Dallas, Texas 75205**

### Borrower's Closing Affidavit

**Loan # 1111**

Before me, the undersigned authority duly authorized to take acknowledgements and administer oaths, personally appeared the above referenced Borrower(s) who, upon being duly sworn depose and says as follows:

Words used in this Affidavit are defined below. Words in the singular mean and include the plural and vice versa.

**"Borrower"** is **Johnny Go Lightly and Tread Lightly, husband and wife**

**"Lender"** is **ABC Bank**, and its successors or assigns.

**"Loan"** means the debt evidenced by the Note and all sums due under the Security Instrument.

**"Note"** means the promissory note(s) dated **October 11, 2012**, signed by Borrower in favor of Lender.

**"Property"** means the property commonly known as **123 Sunset Drive, Dallas, Texas 75205**.

**"Security Instrument"** means the Deed of Trust/Mortgage/Security Deed/Security Instrument signed by Borrower in favor of Lender, securing payment of the Note.

**"Settlement Agent"** is **Texas Title**.

BEFORE ME, the undersigned authority, on this day, personally appeared Borrower, known to me to be the person whose name is subscribed below and after being duly sworn by me did each on his or her oath state the following:

1. **OCCUPANCY STATUS.** [Check applicable box.]

- Primary Residence.** The Property is/will be Borrower's primary residence. This means at least one (1) Borrower who executes the Note and Security Instrument will take title to and occupy the Property. The Property is now occupied as Borrower's primary residence or will be occupied as Borrower's primary residence no later than sixty (60) days after this date or the date the Property shall first become ready for occupancy as a habitable dwelling. That Borrower shall continue to occupy the Property as that Borrower's primary residence for at least one (1) year after the execution of the Loan documentation unless Lender otherwise agrees in writing, which consent shall not be unreasonably withheld, or unless extenuating circumstances exist which are beyond that Borrower's control. Furthermore, all bills for utilities, water, and/or sewerage are in that Borrower's name.

If applicable,

Borrower(s) will not occupy the Property, nor allow any others to occupy the Property, until construction is complete and municipal approvals have been issued, if required, and Lender gives written consent following final inspection. Borrower(s) will not store any item in or on the Property, or allow others, that is not related to the construction of improvements on the Property.

Borrower(s) hereby certify that upon completion the Property will be Borrower's principal residence. This means at least one of the Borrowers who executes the Note and Security Instrument has title to and upon completion, shall occupy the Property. Borrower shall continue to occupy the Property as Borrower's principal residence for at least one year after completion of the improvements unless Lender otherwise agrees in writing, which consent shall not be unreasonably withheld or unless extenuating circumstances exist which are beyond Borrower's

control.

**BORROWER(S) ACKNOWLEDGE THAT THIS OCCUPANCY AFFIDAVIT IS GIVEN AS A MATERIAL INDUCEMENT TO CAUSE LENDER TO MAKE A LOAN TO BORROWER(S) AND THAT ANY FALSE STATEMENTS, MISREPRESENTATIONS OR MATERIAL OMISSIONS SHALL CONSTITUTE A BREACH OF THE BORROWER(S) OBLIGATION TO LENDER AND THAT ALL THE PROVISIONS OF THE MORTGAGE/DEED OF TRUST INDENTURE CONCERNING DEFAULT IN THE NOTE WILL THEREUPON BE IN FULL FORCE AND EFFECT.**

- Secondary Residence.** The Property is/will be Borrower's secondary residence. A secondary residence is a single-family property that is currently or will be occupied by at least one (1) Borrower in addition to that Borrower's primary residence. **The property will not be income-producing.**
- Investment Property.** The Property is/will be investment property. The Property will not be occupied or claimed as a primary or secondary residence by any Borrower, and may produce revenue. Each Borrower now owns, resides, uses, and claims another property or properties as a primary residential or homestead.
2. **FINANCIAL STATUS.** Borrower understands that Lender is granting the Loan based on the representations made in the Loan application given by Borrower to Lender. Borrower hereby certifies that all statements related to the Loan application, including but not limited to, financial, marital, and employment status, have not changed, and to the best of Borrower's knowledge, will not change in the foreseeable future. If the Property is being purchased by Borrower, the funds for down payment and closing costs are being paid from the source stated on the Loan application. There is no secondary financing in this transaction that has not been disclosed to Lender. Borrower certifies that if the Loan application states that other real estate was to be sold, that such transaction has taken place and Borrower no longer has title to that real estate. If the Property is currently owned by Borrower, Borrower certifies that there are no delinquent state, county, city, school, water district, utility district, or other governmental taxes or assessments due or owing against the Property and that no tax suit has been filed by any state, county, municipality, water district, utility district, or other governmental agency for taxes or assessments levied against Borrower which have not been disclosed in writing to Lender. Borrower also certifies that there are no unpaid paving or utility assessments or delinquent owner association dues. There are no suits filed by or pending against Borrower in any federal or state court which have not been disclosed in writing to Lender.
3. **PROPERTY ACCEPTANCE.** Borrower acknowledges that the Property and all of its improvements, fixtures, appliances, and other parts are in good and satisfactory working order and in the conditions contracted for. If the Property is new construction, Borrower finds that the improvements erected on the Property have been completed substantially in accordance with the plans and specifications. If this is the purchase of an existing dwelling, Borrower has accepted the condition thereof, and all terms of the sales contract (including any required repairs and inspections) have been met. If the Property is or will be initial construction, Borrower will sign an affidavit of completion once Borrower finds the improvements are completed substantially in accordance with the plans and specifications and to Borrower's satisfaction and that the terms of the contract between Borrower and the contractor have been fully carried out. The matters acknowledged in this paragraph are to the best of Borrower's knowledge and belief, and nothing in this Affidavit is to be construed as a waiver of any claims, damages, causes of action, or rights under any warranty, expressed or implied, against any party other than Lender.
4. **SURVEY.**

**If a Survey is required then,** Borrower hereby certifies that Borrower has received, reviewed, and approved a copy of the survey which is incorporated herein by reference and has signed or initialed and dated same for identification purposes. Borrower is aware of the indicated encroachments, protrusions, easements, limitations, access, dimensions, and/or other conditions shown on the survey. In consideration of Lender making the Loan to Borrower, Borrower hereby indemnifies and holds Lender harmless from any claims, costs, damages, causes of action, and expenses in any way arising as a result of the Property condition or any matters indicated in the survey.

**If a current Survey is acceptable then,** since the date of the survey provided by Borrower, which survey has been signed or initialed and dated for identification purposes, Borrower certifies and represents that no improvements or structural changes or additions to the Property have been made. Borrower is aware of the indicated encroachments, protrusions, easements, limitations, access, dimensions, and/or other conditions shown on the survey. In consideration of Lender making the Loan to Borrower, Borrower hereby indemnifies and holds Lender harmless from any claims, costs, damages, causes of action, and expenses in any way arising as a result of the Property condition or any matters indicated in the survey.

**If a Survey is not required then,** Borrower understands that a current survey is not required by Lender for this transaction, however, if Borrower desires, Borrower may have a current survey made. Borrower represents to Lender that Borrower understands that a survey would indicate existing encroachments, protrusions, easements, limitations, access, dimensions, or other conditions.

Borrower represents to Lender that Borrower has not received from any third party any notice or claim of any limitation of the use and enjoyment of the Property not indicated by the most recently obtained survey.

5. **TITLE INSURANCE.** If Title Insurance is required by Lender, Borrower certifies that Settlement Agent has provided Borrower with a copy of the Commitment for Title Insurance and that Borrower has reviewed and consents to all of the exceptions to title which would appear in an Owner's Title Policy for the Property.

In consideration of Lender making the Loan to Borrower, Borrower hereby indemnifies and holds Lender harmless from any claims, costs, damages, causes of action and expenses in any way arising as a result of the Property condition and performance under any contract of sale between Borrower and any Seller of the property, or any matters indicated as exceptions stated in the Commitment for Title Insurance, and the Owner's and Mortgagee's Title Insurance Policies.

6. **HOLD HARMLESS.** Borrower has been made aware of the following specific conditions affecting the Property and does hereby indemnify and hold harmless Lender from any claims, costs, damages, causes of action, and expenses in any way arising from the following conditions or other matters:

### **ACKNOWLEDGMENT OF RECEIPT**

Borrower acknowledges that this Borrower's Closing Affidavit is given as a material inducement to cause Lender to make the Loan to Borrower. Borrower understands that it is illegal to provide false information in an application for a mortgage loan. Mortgage fraud is punishable by up to 30 years in federal prison or a fine up to \$1,000,000 or both under the provisions of title 18, United States Code, Sec. 1001, et seq. The agreements and covenants contained herein shall survive the closing of this Loan transaction.

\_\_\_\_\_  
Signature Date  
**Johnny Go Lightly**

\_\_\_\_\_  
Signature Date  
**Tread Lightly**

*[Sign Originals Only]*

SUBSCRIBED AND SWORN TO BEFORE ME on the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ by **Johnny Go Lightly and Tread Lightly.**

\_\_\_\_\_  
Notary Public  
Printed Name of Notary: \_\_\_\_\_  
My Commission Expires: \_\_\_\_\_

Lender: **ABC Bank**  
Borrower: **Johnny Go Lightly and Tread Lightly, husband and wife**  
Property: **123 Sunset Drive, Dallas, Texas 75205**

## **Attorney Representation Notice**

**Loan # 1111**

This Attorney Representation Notice (“Notice”) is entered into between PeirsonPatterson, LLP (“We”, “our” or “us”) and Johnny Go Lightly and Tread Lightly, husband and wife (“you” or “your” whether one or more), herein referred to as “Borrower”.

**LOAN DOCUMENTATION.** PeirsonPatterson, LLP (We”, “us” or “our”) has prepared the legal instruments involved in this loan using information supplied by the Lender and other third parties. We have acted only on behalf of the Lender. We and the Lender have not assisted or rendered legal advice to Borrower with respect to the loan or the Property securing it or the documents executed in connection with it. If Borrower has any questions about the meaning of any document or Borrower’s legal rights, Borrower should retain personal legal counsel for advice in this transaction.

**DESCRIPTION OF LEGAL SERVICES PERFORMED.** We may have prepared all or part of the following legal instruments affecting title to the Property: Deed (if a purchase transaction), Note, Security Instrument and Assignment of Lien (if requested).

**DISCLAIMER OF REPRESENTATION OR WARRANTY.** We have not conducted a title search on the Property, and make no representation or warranty about condition of the title, access to the Property or any other matters that might be revealed from Borrower’s examination of a survey, title information, or the Property itself. **Borrower is cautioned to make sure the Deed delivered to Borrower conveys what Borrower has contracted to purchase.**

**DATA SUPPLIED BY LENDER.** The disclosure calculations and fee data have been supplied by the Lender. We make no representations regarding the value of the Property, conformance with any limitations on fees, waiting periods or any other matters outside our control.

**RESPONSIBILITY FOR PAYMENT OF FEES.** As part of Borrower’s obligation to pay the expenses of the Lender in connection with the preparation of the legal documentation, Borrower agrees to pay directly to us at loan closing, the amount indicated on the Attorney Invoice, unless Lender has noted otherwise in their closing instructions.

**BASIS FOR FEE.** The document preparation fee charged by us is based on a per transaction charge rather than an hourly fee. This fee is intended to provide fair compensation for our services, taking into consideration the time and labor required, the complexities of the questions involved, and the skill required to perform the services. Other considerations include our expertise in the complexities of the real estate practice, the necessary overhead associated with the rendering of the services and our assumption of risk in the rendering of the services. There has been no charge made for any disclosures or information required by the Real Estate Settlement and Procedures Act, the Truth-in-Lending Act or the Homeowners’ Protection Act.

**NOTICE TO BORROWER REGARDING DEED PREPARATION.** We represent Lender and only Lender in this transaction. If we have prepared a draft deed, it has been at the request of Lender. Borrower is advised to consult its legal counsel with any questions before signing the draft deed. We have provided the draft deed as a convenience. **IF THE DRAFT DEED WE PREPARED IS USED, BORROWER (OR ITS ATTORNEY)**

---

Attorney Representation Notice



SHOULD REVIEW AND AMEND IT, IF NECESSARY, TO MAKE CERTAIN THAT IT IS CONSISTENT WITH THE SALES CONTRACT AND CORRECTLY REFLECTS THE CONDITION OF TITLE FOR THE PROPERTY AND THE OBLIGATIONS OF THE PARTIES TRANSFERRING RIGHTS TO REAL PROPERTY, AND IF APPLICABLE RESERVING CERTAIN RIGHTS, FOR EXAMPLE MINERAL INTEREST, IS AN INHERENTLY COMPLEX MATTER AND CONTEMPLATES THE INVOLVEMENT OF ATTORNEYS. IF APPLICABLE, THE DEED SHOULD BE AMENDED TO REFLECT ANY MINERAL OR OTHER RESERVATION. BE CERTAIN THAT THE DEED EXPRESSES THE INTENT OF SELLER AND BORROWER. Another deed, or amendments to the draft deed, must be reviewed and approved by us prior to its execution.

Borrower hereby acknowledges receiving and reading a copy of this Notice and affirms the accuracy of the statements contained herein.

**BORROWER(S):**

\_\_\_\_\_  
Signature Date  
**Johnny Go Lightly**

\_\_\_\_\_  
Signature Date  
**Tread Lightly**

*[Sign Originals Only]*

Lender: **ABC Bank**  
Borrower: **Johnny Go Lightly and Tread Lightly, husband and wife**  
Property: **123 Sunset Drive, Dallas, Texas 75205**

## Flood Insurance Coverage Subject to Possible Change

**Loan # 1111**

If your property is or becomes zoned for required flood insurance and we assign, sell or transfer the servicing of your mortgage loan, your new lender/servicer may require more flood insurance coverage than the minimum amount that has been identified in your Notice of Special Flood Hazards (NSFH). The new lender/servicer may require coverage in an amount greater than the minimum, and has the right to require flood coverage at least equal to 100% of the insurable value (also known as replacement cost value) of the building(s) used as collateral to secure the loan or the maximum available under the National Flood Insurance Program (NFIP) for the particular type of building. You should review your exposure to flood damage with your insurance provider, as you may wish to increase your coverage above the minimum amount required at the time of closing your loan versus what subsequently the new lender/servicer may require.

Acknowledged by Borrower(s) this **Eleventh** day of **October, 2012**.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

**Johnny Go Lightly**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

**Tread Lightly**

*[Sign Originals Only]*

# MORTGAGE FRAUD IS INVESTIGATED BY THE FBI



**Mortgage Fraud is investigated by the Federal Bureau of Investigation and is punishable by up to 30 years in federal prison or \$1,000,000 fine, or both. It is illegal for a person to make any false statement regarding income, assets, debt, or matters of identification, or to willfully overvalue any land or property, in a loan and credit application for the purpose of influencing in any way the action of a financial institution.**

*Some of the applicable Federal criminal statutes which may be charged in connection with Mortgage Fraud include:*

- 18 U.S.C. § 1001 - Statements or entries generally
- 18 U.S.C. § 1010 - HUD and Federal Housing Administration Transactions
- 18 U.S.C. § 1014 - Loan and credit applications generally
- 18 U.S.C. § 1028 - Fraud and related activity in connection with identification documents
- 18 U.S.C. § 1341 - Frauds and swindles by Mail
- 18 U.S.C. § 1342 - Fictitious name or address
- 18 U.S.C. § 1343 - Fraud by wire
- 18 U.S.C. § 1344 - Bank Fraud
- 42 U.S.C. § 408(a) - False Social Security Number

*Unauthorized use of the FBI seal, name, and initials is subject to prosecution under Sections 701, 709, and 712 of Title 18 of the United States Code. This advisement may not be changed or altered without the specific written consent of the Federal Bureau of Investigation, and is not an endorsement of any product or service.*

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

**Johnny Go Lightly**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

**Tread Lightly**

*[Sign Originals Only]*

---

**Mortgage Fraud Warning**

## INITIAL ESCROW ACCOUNT WAIVER

Words used in this Waiver are defined below. Words in the singular mean and include the plural and vice versa.

“Borrower” is **Johnny Go Lightly and Tread Lightly, husband and wife.**

“Escrow Items” means: (a) taxes and assessments and other items which can attain priority over the Security Instrument as a lien or encumbrance on the Property; (b) leasehold payments or ground rents on the Property, if any; (c) premiums for any and all property insurance required by Lender; and (d) Mortgage Insurance premiums, if any, or any sums payable by Borrower to Lender in lieu of the payment of Mortgage Insurance premiums.

“Funds” means the sum included in Borrower’s periodic payment to provide for Escrow Items.

“Lender” is **ABC Bank**, and its successors or assigns.

“Loan” means the debt evidenced by the Note and all sums due under the Security Instrument.

“Mortgage Insurance” means insurance protecting Lender against the non-payment of, or default on, the Loan.

“Note” means the instrument evidencing the debt dated **October 11, 2012**, signed by Borrower in favor of Lender.

“Property” means the property commonly known as **123 Sunset Drive, Dallas, TX 75205.**

“Security Instrument” means the deed of trust/mortgage/security deed/security instrument signed by Borrower in favor of Lender, securing payment of the Note.

WHEREAS, Borrower is or will become indebted as evidenced by the Note and Security Instrument securing the Property;

WHEREAS, the Security Instrument provides that Borrower shall pay to Lender on the day periodic payments are due under the Note, until the Note is paid in full, the Funds for payment of Escrow Items;

WHEREAS, Lender is willing to waive payment of the Funds;

WHEREAS, Borrower has paid Lender the sum of associated with this Escrow Account Waiver;

NOW THEREFORE, in consideration of a promise from Borrower to pay the Escrow Items in full when due, Borrower and Lender agree that Borrower will pay Escrow Items when they become due and payable and remit receipts marked “paid” for the Escrow Items to Lender. Upon Borrower’s failure to remit paid receipts to Lender, Lender may require that Borrower’s periodic payments will immediately be increased to include the Funds for the Escrow Items to the extent and on the conditions required by applicable law; and this waiver will be of no further force and effect.

It is expressly understood that by entering into this Initial Escrow Account Waiver, Borrower shall personally and directly pay any and all Escrowed Items in addition to paying the periodic payments due under the Note. If Borrower wishes to establish an escrow account after closing their loan, they may contact the Servicer to whom they are making their payments.

It is expressly understood that by entering into this Initial Escrow Account Waiver, Lender does not waive or modify in any way any rights or remedies for default it may have under the Security Instrument, including specifically, without limiting the generality of this waiver, rights or remedies for default arising from untimely or incomplete payment of the Escrow Items, or any other matters to be paid or performed pursuant to the Security Instrument. Nothing in this waiver supersedes or limits the Lender’s right to revoke this Waiver, at any time, by notice given to the Borrower, as granted in the terms of the Security Instrument.

It is expressly understood that Borrower's failure to pay insurance premiums may result in Lender placement of insurance at a potentially higher cost to Borrower, including but not limited to, commission payments to the servicer and/or reduced coverage for Borrower of Lender-placed insurance.

It is further understood that no waiver by Lender or non-compliance by Borrower with the requirement for timely and complete payment of the Escrow Items will constitute more than a waiver of that single failure. As used herein, "timely and complete payment" means, as the context requires, payment so as to prevent delinquency, cancellation or lapse of coverage, or landlord default notice or remedies.

Borrower acknowledges receipt of this Waiver and understands its provisions.

\_\_\_\_\_  
Signature Date  
**Johnny Go Lightly**

\_\_\_\_\_  
Signature Date  
**Tread Lightly**

*[Sign Originals Only]*

Lender: **ABC Bank**  
Borrower: **Johney Go Lightly and Tread Lightly, husband and wife**  
Property: **123 Sunset Drive, Dallas, Texas 75205**

## **Document Correction Agreement**

**Loan # 1111**

**AGREEMENT TO CORRECT OR PROVIDE ADDITIONAL DOCUMENTATION OR FEES:** In consideration of Lender disbursing funds for the closing of the Loan secured by the Property being encumbered, and regardless of the reason for any loss, misplacement, or inaccuracy in any loan documentation, Borrower(s) agrees as follows: That, should a document be lost or misplaced, misstated or inaccurately reflect the true and correct terms and conditions of the Loan, upon the request of the Lender (including persons acting on behalf of the Lender) or Settlement Agent, Borrower(s) will comply with Lender's request to execute, acknowledge, initial and deliver to Lender any documentation Lender deems necessary to replace or correct the lost, misplaced, misstated or inaccurate documents(s). Borrower's completed and accepted final application and any disclosure statements provided by Lender shall be evidence of Borrower's and Lender's intent regarding the agreed terms and conditions of the loan. If a replacement note is executed, the Lender hereby indemnifies the Borrower(s) against any loss associated with a demand on the original executed note. The documents Lender requests Borrower(s) to execute, acknowledge, initial and deliver pursuant to this Paragraph shall hereinafter be referred to as "Replacement Documents." Borrower(s) agrees to deliver the Replacement Documents within ten (10) days after receipt by Borrower(s) of a written request from Lender for such replacement. Borrower(s) also agrees that upon the request of the Lender (including persons acting on behalf of the Lender) or Settlement Agent, Borrower(s) will comply with Lender's reasonable request to supply additional documentation and/or to pay Lender any additional sums previously disclosed to Borrower(s) as a cost or fee associated with the Loan which for whatever reason was not collected at closing. The documents or fees Lender requests Borrower(s) to provide pursuant to this Paragraph shall hereinafter be referred to as "Additional Documents or Fees."

**REQUEST BY LENDER:** Any request by the Lender, (including persons acting on behalf of the Lender) or Settlement Agent for any Additional Documents or Fees shall be prima facie evidence of the necessity for same. A written statement from Lender, (including persons acting on behalf of the Lender) or Settlement Agent, addressed to Borrower(s) at the address indicated in the documentation shall be considered conclusive evidence of the necessity for said Additional Documents or Fees or corrections thereof.

**FAILURE TO DELIVER REPLACEMENT OF ADDITIONAL DOCUMENTS OR FEES MAY CONSTITUTE DEFAULT:** Borrower(s)'s failure or refusal to comply with the terms of the Lender's request may, at Lender's election, constitute a default under the note and/or mortgage/deed of trust and give Lender the option of declaring all sums secured by the loan documents immediately due and payable.

**BORROWER LIABILITY:** If Borrower(s) fails or refuses to execute, acknowledge, initial and deliver the Replacement Documents or provide the Additional Documents or Fees to Lender more than ten (10) days after being requested to do so by Lender, and understanding that Lender is relying on these representations, Borrower(s) agree(s) to be liable for any and all loss or damage which Lender sustains thereby including but not limited to all attorney's fees and costs incurred by Lender.

This Agreement shall inure to the benefit of Lender's successors and assigns and be binding upon the heirs, devisees, personal representatives, successors and assigns of Borrower(s).

\_\_\_\_\_  
Signature Date

**Johnny Go Lightly**

\_\_\_\_\_  
Signature Date

**Tread Lightly**

*[Sign Originals Only]*

Lender: **ABC Bank**  
Borrower: **Johnny Go Lightly and Tread Lightly, husband and wife**  
Property: **123 Sunset Drive, Dallas, Texas 75205**  
Date: **October 11, 2012**

## Appraisal Report Disclosure

Loan # 1111

The Equal Credit Opportunity Act (15 USC 1691(e)) and the Fannie Mae and Freddie Mac (FNMA/FHLMC) Appraiser Independence Requirements require that:

**The lender shall ensure that the borrower is provided a copy of any appraisal report concerning the borrower's subject property promptly upon completion at no additional cost to the borrower, and in any event no less than three business days prior to the closing of the loan. The borrower may waive this three business day requirement. The lender may require the borrower to reimburse the lender for the cost of the appraisal.**

- By signing this document, Borrower acknowledges receipt of the completed appraisal report at least three business days prior to closing of the loan.
- By signing this document, Borrower acknowledges and agrees that at least three days prior to closing of the loan, Borrower waived the requirement that the completed appraisal report be delivered to Borrower at least three business days prior to the closing of the loan, and consented to delivery of the completed appraisal report at or before closing.

### ACKNOWLEDGMENT OF RECEIPT

I hereby acknowledge receipt of this Appraisal Report Disclosure and further acknowledge that I understand its provisions. Words used in this document mean and include the plural and vice versa.

\_\_\_\_\_  
Signature  
**Johnny Go Lightly**

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature  
**Tread Lightly**

\_\_\_\_\_  
Date

*[Sign Originals Only]*



Lender: **ABC Bank**  
Borrower: **Johnny Go Lightly and Tread Lightly, husband and wife**  
Property: **123 Sunset Drive, Dallas, Texas 75205**

## Appraisal Receipt

**Loan # 1111**

I/We, the undersigned Borrower(s), hereby certify that I/we have received, reviewed and approved a copy of the appraisal dated **07/13/2012** prepared by **Appraisal Group**.  
(Blanks to be completed by Borrower(s) if not already completed.) I/We will forever hold Lender harmless from any complaint arising as a result of said appraisal.

\_\_\_\_\_  
Signature **Johnny Go Lightly** Date

\_\_\_\_\_  
Signature **Tread Lightly** Date

*[Sign Originals Only]*

Lender: **ABC Bank**  
Borrower: **Johnny Go Lightly and Tread Lightly, husband and wife**  
Property: **123 Sunset Drive, Dallas, TX 75205**

## Mineral Rights Acknowledgment

**Loan # 1111**

Words used in this Acknowledgment are defined below. Words in the singular mean and include the plural and vice versa.

“**Borrower**” is **Johnny Go Lightly and Tread Lightly, husband and wife**

“**Lender**” is **ABC Bank**, and its successors or assigns.

“**Loan**” means the debt evidenced by the Note and all sums due under the Security Instrument.

“**Note**” means the promissory note(s) dated **October 11, 2012**, signed by Borrower in favor of Lender.

“**Property**” means the property commonly known as **123 Sunset Drive, Dallas, Texas 75205**.

“**Security Instrument**” means the deed of trust/mortgage/security deed/security instrument signed by Borrower in favor of Lender, securing payment of the Note.

Borrower understands that the Property may be subject to mineral development rights held by others and the exercise of those rights could result in a taking of or damage to some or all of the Property. Borrower further understands that the party desiring to exercise its mineral development rights may be liable to Borrower and Lender for reimbursement for exercising such mineral development rights.

The Reimbursement may be considered “Miscellaneous Proceeds” under the Security Instrument.

Borrower hereby acknowledges that Borrower has read this Acknowledgment and fully understands its terms and implications and Borrower is executing it the same day as the Note and Security Instrument, as a material inducement to Lender to make this Loan.

\_\_\_\_\_  
Signature Date  
**Johnny Go Lightly**

\_\_\_\_\_  
Signature Date  
**Tread Lightly**

*[Sign Originals Only]*

Lender: **ABC Bank**  
Borrower: **Johnny Go Lightly and Tread Lightly, husband and wife**  
Property: **123 Sunset Drive, Dallas, Texas 75205**

## Homeowner's Association Information and Acknowledgement

**Loan # 1111**

The undersigned is an authorized representative of the below referenced Homeowner's Association which includes the above referenced Property. Please be advised of the following regarding dues/assessments for said Homeowner's Association.

Dues are due and payable: \_\_\_\_\_  
(Date dues/assessments are regularly due)

Address for payment: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Present annual dues are: \$ \_\_\_\_\_

Past due amounts,  
if any, owing: \$ \_\_\_\_\_

\_\_\_\_\_  
(Name of Homeowner's Association)

BY: \_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Printed Name)

---

## Borrower's Acknowledgement

Borrower acknowledges the above information regarding Homeowner's Association dues/assessments and agrees to keep same current.

\_\_\_\_\_  
Signature Date  
**Johnny Go Lightly**

\_\_\_\_\_  
Signature Date  
**Tread Lightly**

*[Sign Originals Only]*

---

**Homeowner's Association Information and Acknowledgement**

Lender: **ABC Bank**  
Borrower: **Johnny Go Lightly and Tread Lightly, husband and wife**  
Contractor: **Custom Homes, LLC**  
Property: **123 Sunset Drive, Dallas, Texas 75205**

## **Subchapter K - Texas Property Code Addendum to Closing Instructions**

**Loan # 1111**

This transaction is subject to Subchapter K of the Texas Property Code. The following will be required:

- Advance Receipt of Loan Documents By Borrowers - Deliver to all Borrowers all documentation relating to the closing of the loan not later than one business day before the date of the closing. If any changes, deletions or amendments are made to those documents after they are given to the Borrowers, unless instructed in writing by Lender, closing must be delayed at least one business day after the revised loan document package is given to Borrower.
  
- Disclosure Statement Required for Texas Residential Construction Contract - Provide the attached Disclosure Statement to Borrowers before the execution of the mechanic's lien contract. Each Borrower must sign and date the original. Return original to Lender. Give each Borrower a copy after signature.
  
- Disbursement Authorization - Each Borrower must sign and date the original. Return original to Lender. Give copy to Borrower after execution.
  
- Borrower's Acknowledgement of Texas Construction Compliance Procedure - Each Borrower must sign and date the original. Return original to Lender. Give copy to Borrower after execution.
  
- Waiver of Advance Delivery of Loan Documents - Borrower must provide detailed reason for request to waive one business day advance delivery of loan documents in their own words and handwriting. Borrower must clearly detail "bona fide financial emergency" or "other good cause." Each Borrower must sign and date. Fax same to lender. If request is approved, Lender will fax back approval.

I agree to follow these additional closing instructions.

### **Texas Title**

---

<b>Settlement Agent</b>	<b>Date</b>
-------------------------	-------------

# Residential Construction Note

Loan # 1111

October 11, 2012  
[Date]

Fort Worth  
[City]

TX  
[State]

123 Sunset Drive, Dallas, Texas 75205  
[Property Address]

## 1. BORROWER'S PROMISE TO PAY

In return for the furnishing of work and materials used in constructing improvements to the Property described above, I promise to pay U.S. \$237,070.00 (this amount is called "Principal") to the order of **Custom Homes, LLC** (the "Contractor"). I understand the Contractor may transfer this Note. Contractor 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 not be charged on Principal.

## 3. PAYMENT(S)

This Note is payable upon completion and acceptance of construction.

Payment(s) will be made at Contractor's address, or at a different place if required by the Note Holder.

## 4. BORROWER'S FAILURE TO PAY AS REQUIRED

(a) Default. If I do not pay the full amount of the required payments when due, I will be in default.

(b) 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 the Principal which has not been paid that I owe on that amount. That date must be at least twenty (20) days after the date on which the notice is delivered or mailed to me.

(c) 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.

(d) 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 by applicable law. Those expenses include, for example, reasonable attorney's fees.

(e) Prepayment. I may prepay this Note in part or full without penalty at any time before final maturity, whether by cash, a new loan, renewal, or otherwise.

## 5. 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 an address provided in writing by me. Any notice to be given to the Note Holder under this Note will be given by mailing it by first class mail to the Note Holder at an address provided in writing by Note Holder.

## 6. OBLIGATIONS OF PERSONS UNDER THIS NOTE

If more than 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.

---

Residential Construction Note - No Interest (No Retainage)

**7. WAIVERS**

I and any other person who has obligations under this Note, to the extent permitted by law, waive demand for payment, presentment for payment, notice of acceleration of maturity, notice of dishonor, protest and notice of protest. "Presentment" means the right to require the Note Holder to give notice to other persons that amounts due have not been paid.

**8. NOTICE OF NO ORAL AGREEMENT**

**THE WRITTEN LOAN AGREEMENT REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.**

\_\_\_\_\_  
Signature Date  
**Johnny Go Lightly**

\_\_\_\_\_  
Signature Date  
**Tread Lightly**

*[Sign Originals Only]*

CONTRACTOR ENDORSEMENT:

Pay to the order of  
**ABC Bank**  
without recourse.

**Custom Homes, LLC, a Texas limited liability company**

\_\_\_\_\_  
Signature Date  
**Joe Smith, Managing Member**

**NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.**

## **RESIDENTIAL CONSTRUCTION CONTRACT**

**(Texas – Creating and Assigning Lien to Construction Lender)**

Date: **October 11, 2012**

Words used in this Residential Construction Contract (“Contract”) are defined below. Words in the singular mean and include the plural and vice versa.

“Contract Sum” is **\$237,070.00**

“Contractor” or “Builder” is **Custom Homes, LLC.**

“Contractor’s Mailing Address” is **1234 Custom Street, Fort Worth, Texas 76107.**

“Improvements” are the improvements made to a single-family residence or new construction of a single-family residence.

“Lender” is **ABC Bank .**

“Owner” is **Johnny Go Lightly and Tread Lightly, husband and wife.**

“Owner’s Mailing Address” is **123 Sunset Drive, Dallas, TX 75205.**

“Property Address” is **123 Sunset Drive, Dallas, Texas 75205.**

“Property” legal description is **LOT 1111, OF COUNTRY CLUB ESTATES, SECTION ELEVEN, A SUBDIVISION IN DALLAS COUNTY, TEXAS, ACCORDING TO THE MAP OR PLAT THEREOF RECORDED IN VOLUME 11, PAGE 11 OF THE PLAT RECORDS OF DALLAS COUNTY, TEXAS.**

Contractor has agreed to construct the Improvements for the Contract Sum, as may be amended herein or the Supplement to Contract. Owner agrees to pay Contractor the Contract Sum for the construction of the Improvements. Contractor and Owner have executed another unrecorded document further detailing the agreement for construction between Contractor and Owner of Improvements on the Property, including any agreement for retainage or waiver of retainage, (“Supplement to Contract”). That document is incorporated herein by reference. However, such incorporation is not intended to and shall not supersede, conflict or contradict in any way the terms and conditions of this Contract and to the extent said Supplement to Contract contains conflicting provisions; the provisions of this Contract shall control.

Contractor does hereby warrant, certify and represent that Contractor has complied with all legal requirements regarding the execution of the Contract and Supplement to Contract. Contractor agrees to comply with any delivery deadlines of notices, disclosures, and other documentation to Owner and Lender as prescribed by law and

---

Residential Construction Contract (Texas-Creating and Assigning Lien to  
Construction Lender)

to construct the Improvements (whether new or existing), including without limitation, Subchapter K of Chapter 53 or the Texas Property Code and Section 50(a)(5), Article XVI of the Texas Constitution. Contractor and Owner do further hereby represent (to the best of their actual knowledge) that Contractor and Owner are aware of, and have complied with or will comply with, the following legal rights and obligations:

- a. **Joinder of Spouse.** The Contract and Supplement to Contract have been entered into by all owners with the consent of each owner's spouse, as evidenced by their signatures below.
- b. **No Work Commenced.** Contractor and Owner do hereby affirm that no work of any kind, including the destruction or removal of any existing improvements, site work, clearing, grubbing, draining or fencing of the Property) has commenced or been performed on the Property, no labor or materials have been ordered or furnished to or on behalf of Owner for use in such construction, and no contracts or agreements (verbal or written) for the furnishing of labor, materials, or services for use in the construction of improvements on the Property have been executed (except the above referenced Supplement to Contract) or in trust and Owner warrants and agrees to defend the title to the Property by and through Owner and not otherwise.
- c. **Receipt of Disclosure Statement.** Before execution, acknowledgement and delivery of the Contract and Supplement to Contract, Owner received from Contractor the disclosure statement required by Section 53.255(b) of the Texas Property Code.
- d. **Receipt of List of Subcontractors.** Unless Owner has waived the right to receive from Contractor a list of the subcontractors and suppliers, or any updated information required to be given, evidenced by a separate written and signed waiver of rights to this information, before execution, acknowledgement and delivery of the Contract and Supplement to Contract, Contractor provided Owner with a list of subcontractors and suppliers and will provide Owner and Lender with an updated list of subcontractors and suppliers not later than the 15th day after the date a subcontractor or supplier is added to or deleted from the list.
- e. **Receipt of Closing Documents.** At least one business day before obtaining this extension of credit for Improvements, Owner did receive from Lender all documentation relating to the extension of credit, unless Owner waived the right to one business day advance delivery of the disclosure from Lender and the other closing documents because of a bona fide emergency or other good cause.
- f. **Disbursement of Funds.** Contractor shall provide Owner and Lender with signed periodic statements that list the bills or expenses that Contractor is requesting payment for. Said requests will be in writing on forms reasonably acceptable to Lender and subject to inspection by Lender or Lender's designee indicating satisfactory progress. No further disbursement will be made by Lender if Contractor or Owner is in default with any term or condition of the contract or any related document associated herewith. It is up to Owner and not the Lender, at Owner's election, to withhold any "statutory retainage" as defined in the attached Disclosure Statement Required For Texas Residential Construction Contract.
- g. **Final Bills-Paid Affidavit.** At the time of final payment, Contractor shall provide Owner and Lender with a Final Bills-Paid Affidavit.
- h. **Alterations and Extras.** It is expressly agreed that the terms of the Contract and Supplement to Contract authorize the making of changes by the Owner and Contractor only upon execution of written change orders by Owner and Contractor. Owner shall notify Lender of any changes agreed to by Owner and Contractor before the changes are made. Lender must approve in writing any changes that decrease the value of the Property.
- i. **Mechanic's Lien.** To secure payment of the Contract and Supplement to Contract, a mechanic's, artisan's, and materialman's lien on the Property and on all improvements and fixtures on the Property at any time is granted to Contractor. To enforce the lien and to further secure payment of the Contract, Owner hereby transfers and conveys the Property to **Michael H.**

---

Residential Construction Contract (Texas-Creating and Assigning Lien to Construction Lender)



**Patterson** , Trustee, in trust and warrants and agrees to defend the title to the Property by and through Owner and not otherwise. If Owner performs all the covenants and pays the Contract according to the terms of this Contract, this conveyance shall become void and have no further effect, and at Owner's expense, Contractor shall release the lien created by this Contract and Supplement to Contract. Contractor may appoint, in writing, a substitute or successor trustee, succeeding to all rights and responsibilities of the Trustee. If Owner defaults on the payments to Contractor or fails to perform any of Owner's obligations, and the default continues after Contractor gives Owner 10 days advance written notice of the default and at least 10 days within which it must be cured, then Contractor may:

- (a) request Trustee to foreclose this lien, in which case, Contractor or Contractor's agent shall give notice of the foreclosure sale as provided by the Texas Property Code as then amended; and
- (b) purchase the Property at any foreclosure sale by offering the highest bid and then have the bid credited to the Note.

If requested by Contractor to foreclose this lien, Trustee shall:

- (a) either personally or by agent give notice of the foreclosure sale as required by the Texas Property Code, as then amended;
- (b) sell and convey all or part of the Property to the highest bidder for cash with a general warranty deed binding Owner, subject to prior liens and to other exceptions to conveyance and warranty; and
- (c) from proceeds of the sale, pay in this order:
  - 1. expenses of foreclosure, including a reasonable commission to Trustee;
  - 2. to Contractor, the full amount of charges due and unpaid;
  - 3. any amounts required by law to be paid before payment to Owner; and
  - 4. to Owner, any balance.
- j. Recording.** Contractor and Owner contemplate the recording of this Contract in the Official Real Property Records of the County in which the Property is located as permitted by Section 53.254 and Section 41.001 of the Texas Property Code.
- k. THIS CONTRACT CONSTITUTES A CONSTRUCTION MORTGAGE WITHIN THE MEANING OF SECTION 9.334 OF THE TEXAS BUSINESS & COMMERCE CODE.**
- l. Waiting Period.** If applicable, Owner shall not sign the Contract before the 5th day after Owner makes written application for any extension of credit for the work and material to repair or renovate existing improvements.
- m. Place of Execution.** If applicable, Owner and Owner's spouse shall execute the Contract only at the office of a third-party lender making an extension of credit for the work and material, an attorney at law, or a title company.
- n. Right of Rescission.** IF APPLICABLE, OWNER MAY RESCIND THE CONTRACT, THE SUPPLEMENT TO CONTRACT (AND ANY OTHER PROPOSALS, AGREEMENTS OR CONTRACTS WITH CONTRACTOR REGARDING THE REPAIR OR RENOVATION OF EXISTING IMPROVEMENTS), WITHOUT PENALTY OR CHARGE, WITHIN THREE (3) DAYS AFTER THE EXECUTION OF THE CONTRACT BY ALL PARTIES.

**IMPORTANT NOTICE: YOU AND YOUR CONTRACTOR ARE RESPONSIBLE FOR MEETING THE TERMS AND CONDITIONS OF THE CONTRACT. IF YOU SIGN THE CONTRACT AND**

Residential Construction Contract (Texas-Creating and Assigning Lien to Construction Lender)

**YOU FAIL TO MEET THE TERMS AND CONDITIONS OF THE CONTRACT, YOU MAY LOSE YOUR LEGAL OWNERSHIP IN YOUR HOME. KNOW YOUR RIGHTS AND DUTIES UNDER THE LAW.**

**This contract is subject to Chapter 27 of the Texas Property Code. The provisions of that chapter may affect your right to recover damages arising from a construction defect. If you have a complaint concerning a construction defect and that defect has not been corrected as may be required by law or by contract, you must provide the notice required by Chapter 27 of the Texas Property Code to the contractor by certified mail, return receipt requested, not later than the 60th day before the date you file suit to recover damages in a court of law or initiate arbitration. The notice must refer to Chapter 27 of the Texas Property Code and must describe the construction defect. If requested by the contractor, you must provide the contractor an opportunity to inspect and cure the defect as provided by Section 27.004 of the Texas Property Code.**

EXECUTED this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

OWNER:

\_\_\_\_\_  
Signature Date  
**Johnny Go Lightly**

\_\_\_\_\_  
Signature Date  
**Tread Lightly**

*[Sign Originals Only]*

CONTRACTOR:

**Custom Homes, LLC, a Texas limited liability company**

\_\_\_\_\_  
Signature Date  
**Joe Smith, Managing Member**

# ASSIGNMENT

Contractor hereby assigns its rights to receive payment under the foregoing Contract, together with the lien above created, to **ABC Bank** ("Assignee"). Contractor reserves the right to claim a lien(s) for any amounts he is due and not paid, but agrees lien(s) shall be subordinate to this lien assigned to Assignee. This Assignment is made without recourse, representation or warranty.

CONTRACTOR:

**Custom Homes, LLC, a Texas limited liability company**

\_\_\_\_\_  
Signature Date  
**Joe Smith, Managing Member**

STATE OF TEXAS  
COUNTY OF \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ by **Joe Smith, Managing Member of Custom Homes, LLC, on behalf of said limited liability company.**

\_\_\_\_\_  
Notary Public  
Printed Name: \_\_\_\_\_  
My commission expires: \_\_\_\_\_

STATE OF TEXAS  
COUNTY OF \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ by **Johnny Go Lightly and Tread Lightly.**

\_\_\_\_\_  
Notary Public  
Printed Name: \_\_\_\_\_  
My commission expires: \_\_\_\_\_

**WHEN RECORDED RETURN TO:  
ABC Bank  
2310 W Interstate 20, 100, Arlington, TX 76017  
Ambra Costner**

\_\_\_\_\_  
Residential Construction Contract (Texas-Creating and Assigning Lien to Construction Lender)

Lender: **ABC Bank**  
Borrower: **Johnny Go Lightly and Tread Lightly, husband and wife**  
Contractor: **Custom Homes, LLC**  
Property: **123 Sunset Drive, Dallas, Texas 75205**

**Disclosure Statement Required for  
Texas Residential Construction Contract  
Sec. 53.255(B) Texas Property Code**

**Loan # 1111**

**KNOW YOUR RIGHTS AND RESPONSIBILITIES UNDER THE LAW.** You are about to enter into a transaction to build a new home or remodel existing residential property. Texas law requires your contractor to provide you with this brief overview of some of your rights, responsibilities, and risks in this transaction.

**CONVEYANCE TO CONTRACTOR NOT REQUIRED.** Your contractor may not require you to convey your real property to your contractor as a condition to the agreement for the construction of improvements on your property.

**KNOW YOUR CONTRACTOR.** Before you enter into your agreement for the construction of improvements to your real property, make sure that you have investigated your contractor. Obtain and verify references from other people who have used the contractor for the type and size of construction project on your property.

**GET IT IN WRITING.** Make sure that you have a written agreement with your contractor that includes: (1) a description of the work the contractor is to perform; (2) the required or estimated time for completion of the work; (3) the cost of the work or how the cost will be determined; and (4) the procedure and method of payment, including provisions for statutory retainage and conditions for final payment. If your contractor made a promise, warranty, or representation to you concerning the work the contractor is to perform, make sure that promise, warranty, or representation is specified in the written agreement. An oral promise that is not included in the written agreement may not be enforceable under Texas law.

**READ BEFORE YOU SIGN.** Do not sign any document before you have read and understood it. **NEVER SIGN A DOCUMENT THAT INCLUDES AN UNTRUE STATEMENT.** Take your time in reviewing documents. If you borrow money from a lender to pay for the improvements, you are entitled to have the loan closing documents furnished to you for review at least one business day before the closing. Do not waive this requirement unless a bona fide emergency or another good cause exists, and make sure you understand the documents before you sign them. If you fail to comply with the terms of the documents, you could lose your property. You are entitled to have your own attorney review any documents. If you have any question about the meaning of a document, consult an attorney.

**GET A LIST OF SUBCONTRACTORS AND SUPPLIERS.** Before construction commences, your contractor is required to provide you with a list of the subcontractors and suppliers the contractor intends to use on your project. Your contractor is required to supply updated information on any subcontractors and suppliers added after the list is provided. Your Contractor is not required to supply this information if you sign a written waiver of your rights to receive this information.

**MONITOR THE WORK.** Lenders and governmental authorities may inspect the work in progress from time to time for their own purposes. These inspections are not intended as quality control inspections. Quality control is a matter for you and your contractor. To ensure that your home is being constructed in accordance with your wishes and specifications, you should inspect the work yourself or have your own independent inspector review the work in progress.

**MONITOR PAYMENTS.** If you use a lender, your lender is required to provide you with a periodic statement showing the money disbursed by the lender from the proceeds of your loan. Each time your Contractor requests payment from you or your lender for work performed, your Contractor is also required to furnish you with a disbursement statement that lists the name and address of each subcontractor or supplier that the Contractor intends to pay from the requested funds. Review these statements and make sure that the money is being properly disbursed.

**CLAIMS BY SUBCONTRACTORS AND SUPPLIERS.** Under Texas law, if a subcontractor or supplier who furnishes labor or materials for the construction of improvements on your property is not paid, you may become liable and your property may be subject to a lien for the unpaid amount, even if you have not contracted directly with the subcontractor or supplier. To avoid liability, you should take the following actions:

(1) If you receive a written notice from a subcontractor or supplier, you should withhold payment from your contractor for the amount of the claim stated in the notice until the dispute between your contractor and the subcontractor or supplier is resolved. If your lender is disbursing money directly to your contractor, you should immediately provide a copy of the notice to your lender and instruct the lender to withhold payment in the amount of the claim stated in the notice. If you continue to pay the contractor after receiving the written notice without withholding the amount of the claim, you may be liable and your property may be subject to a lien for the amount you failed to withhold.

(2) During construction and for 30 days after final completion, termination, or abandonment of the contract by the contractor, you should withhold or cause your lender to withhold 10 percent of the amount of payments made for the work performed by your contractor. This is sometimes referred to as a 'statutory retainage.' If you choose not to withhold the 10 percent for at least 30 days after final completion, termination, or abandonment of the contract by the contractor and if a valid claim is timely made by a claimant, and your Contractor fails to pay the claim, you may be personally liable and your property may be subject to a lien up to the amount that you failed to withhold.

If a claim is not paid within a certain time period, the claimant is required to file a mechanic's lien affidavit in the real property records in the county where the property is located. A mechanic's lien affidavit is not a lien on your property, but the filing of the affidavit could result in a court imposing a lien on your property if the claimant is successful in litigation to enforce the lien claim.

**SOME CLAIMS MAY NOT BE VALID.** When you receive a written notice of a claim or when a mechanic's lien affidavit is filed on your property, you should know your legal rights and responsibilities regarding the claim. Not all claims are valid. A notice of a claim by a subcontractor or supplier is required to be sent, and the mechanic's lien affidavit is required to be filed, within strict time periods. The notice and the affidavit must contain certain information. All claimants may not fully comply with the legal requirements to collect on a claim. If you have paid the contractor in full before receiving a notice of a claim and have fully complied with the law regarding statutory retainage, you may not be liable for that claim. Accordingly, you should consult your attorney when you receive a written notice of a claim to determine the true extent of your liability or potential liability for that claim.

**OBTAIN A LIEN RELEASE AND A BILLS-PAID AFFIDAVIT.** When you receive a notice of claim, do not release withheld funds without obtaining a signed and notarized release of lien and claim from the claimant. You can also reduce the risk of having a claim filed by a subcontractor or supplier by requiring as a condition of each payment made by you or your lender that your contractor furnish you with an affidavit stating that all bills have been paid. Under Texas law, on final completion of the work and before final payment, the contractor is required to furnish you with an affidavit stating that all bills have been paid. If the contractor discloses any unpaid bill in the affidavit, you should withhold payment in the amount of the unpaid bill until you receive a waiver of lien or release from that subcontractor or supplier.

**OBTAIN TITLE INSURANCE PROTECTION.** You may be able to obtain title insurance policy to insure that the title to your property and the existing improvements on your property are free from liens claimed by subcontractors and suppliers. If your policy is issued before the improvements are completed and covers the value of the improvements to be completed, you should obtain, on the completion of the improvements and as a condition of your final payment, a 'completion of improvements' policy endorsement. This endorsement will protect your property from liens claimed by subcontractors and suppliers that may arise from the date the original title policy is issued to the date of the endorsement.

---

Signature \_\_\_\_\_ Date \_\_\_\_\_  
**Johnny Go Lightly**

---

Signature \_\_\_\_\_ Date \_\_\_\_\_  
**Tread Lightly**

*[Sign Originals Only]*

Lender: **ABC Bank**  
Borrower: **Johnny Go Lightly and Tread Lightly, husband and wife**  
Contractor: **Custom Homes, LLC**  
Property: **123 Sunset Drive, Dallas, Texas 75205**

## **Borrower's Acknowledgement of Texas Construction Compliance Procedures**

**Loan # 1111**

Owner/Borrower acknowledges that:

**1) Construction Contract Disclosure**

Before a residential construction contract was executed, Contractor delivered to Owner a Disclosure Statement Required For Texas Residential Construction Contract, Sec. 53.255(b) Texas Property Code ("Construction Contract Disclosure").

**2) List of Sub Contractors and Materialman**

Unless Owner/Borrower waived same in writing according to Texas Property Code 53.256(d), the Contractor attached to the Texas Residential Construction Contract Disclosure a written list that identified by name, address and telephone number, each subcontractor and supplier the Contractor intends to use in the work to be performed. If the list wasn't attached to the Construction Contract Disclosure provided by Contractor, unless Owner/Borrower waived same in writing according to Texas Property Code 53.256(d), it has since been provided to Owner by the Contractor.

**3) Advance Delivery of Loan Documents and Construction Contract Disclosure**

Lender has delivered to the Owner all documentation relating to the loan (including the Construction Contract Disclosure) not later than one business day before the date of the closing or, in the alternative, Owner has waived said right to one business day advance delivery of the Construction Contract Disclosure from Lender and the other closing documents because of a bona fide emergency or other good cause.

\_\_\_\_\_  
Signature **Johnny Go Lightly** Date

\_\_\_\_\_  
Signature **Tread Lightly** Date

*[Sign Originals Only]*

# CONSTRUCTION LOAN AGREEMENT

This Agreement, made this **Eleventh** day of **October, 2012** by and between **ABC Bank** doing business in Texas (the "Lender") and **Johnny Go Lightly and Tread Lightly, husband and wife** doing business in Texas, (the "Borrower," whether one or more).

## WITNESSETH:

THAT WHEREAS, Borrower desires to obtain interim financing from Lender for the purpose of aiding Borrower in the construction of certain improvements (the "Improvements") on the land owned by Borrower located in the County of **Dallas**, State of Texas (the "Land"), described as follows:

**LOT 1111, OF COUNTRY CLUB ESTATES, SECTION ELEVEN, A SUBDIVISION IN DALLAS COUNTY, TEXAS, ACCORDING TO THE MAP OR PLAT THEREOF RECORDED IN VOLUME 11, PAGE 11 OF THE PLAT RECORDS OF DALLAS COUNTY, TEXAS.**

NOW, THEREFORE, for and in consideration for the premises and the terms, provisions, conditions, and covenants hereinafter set forth, the parties hereto agree as follows:

1. The interim financing (the "Loan") is evidenced by a certain Promissory Note (the "Note") executed by Borrower, payable to the order of Lender, bearing interest at the rate and payable as therein provided, the Note being executed and delivered simultaneously herewith. The Note will be secured by a Deed of Trust (the "Security Instrument") constituting a first lien on the Land together with all buildings and other improvements at any time located thereon and all personal property, furniture, fixtures, appliances, and building materials and supplies delivered to or at any time located thereon (collectively the "Property"). The Note and Security Instrument are incorporated herein by reference, (and together with all other documents evidencing or securing the debt are collectively the "Loan Documents").
2. In consideration for the making of the Loan by Lender, Borrower will pay the fees indicated on the Settlement Statement to the indicated parties as directed by Lender to the Settlement Agent. Additionally, Borrower shall pay Lender the inspection fees as detailed on the Funding Request and Disbursement Authorization.
3. All expenses incurred in making the Loan shall be paid by Borrower; expenses include, but are not limited to, costs of title, hazard, and liability insurance; architectural and survey expenses, attorney's fees; ad valorem taxes; appraisals; special assessments; the preparation, execution, filing and recordation of all instruments and the enforcement; amendment, extension, or modification of any instrument executed in connection herewith.
4. Interest shall be due and payable as stated in the Promissory Note of even date herewith until the Loan shall be fully repaid. Interest will be billed on the outstanding principal balance of the Loan. Borrower agrees to remit the payments when due.
5. Contemporaneously with the execution of this Agreement, Borrower will furnish Lender with one complete set of plans and specifications for the Improvements, which plans and specifications are to be in full compliance with all building codes and ordinances of the City and County where the Improvements are to be constructed and all restrictions and controls of the subdivision where the Improvements are to be constructed. The plans and specifications shall be satisfactory to Lender, and no material changes may be



made in such plans and specifications without prior handwritten approval of Lender. Borrower shall also furnish to Lender a commitment for title insurance satisfactory to Lender insuring the Lender up to the Loan amount, showing the status of title to the Property, together with two (2) copies of any restrictions, easements, or other matter of record. Upon Lender's request, Borrower shall furnish an initial lot survey and a foundation survey, both being in a form acceptable to Lender.

6. Borrower agrees that at the time of execution and recordation of the Security Instrument by Borrower, no materials or supplies will have been furnished or placed upon the Property or labor performed in connection with the erection and construction of the Improvements or other lienable work performed on or with respect to the Property; further, that no contract, either oral or written, has been executed for the construction of the Improvements on the Property other than any agreement between Borrower and Borrower's Contractor. Borrower further understands that Lender is relying upon these representations and warranties, and that if the same are breached, Lender will be immediately discharged from its obligation to make the Loan.
7. Borrower will cause construction of the Improvements to be carried on continuously and will complete same not later than the maturity date in the Note. The Improvements will be constructed strictly in accordance with the plans and specifications, all applicable ordinances and statutes, and in accordance with the requirements of all duly constructed authorities having jurisdiction over the same. The Improvements will be constructed entirely on the described Land and will not encroach upon or overhang any easement or right of way or upon the land of others, and the Improvements when erected shall be wholly within the building restriction lines, however established, and will not violate applicable use or other restrictions contained in prior conveyances or applicable protective covenants or restrictions. Lender will have the right to cause the Property to be inspected from time to time, during or after construction, until payment in full is made of the Loan. All materials, personal property, furniture, fixtures and appliances incorporated in such construction will be purchased so that absolute ownership and title are vested in Borrower upon delivery of such items to the Land. Borrower represents that all utility lines, septic systems, and streets serving the Property have been or will be completed in accordance with applicable health department standards and other applicable regulations of any governmental agency having jurisdiction.
8. Not later than five (5) days after closing (and prior to any advance of construction funds) Lender shall be furnished with a title insurance policy or, at Lender's sole discretion, a Mortgagee Title Binder on Interim Construction Loan (the "Binder"), from a title insurance company on Lender's approved list of title insurance companies, insuring the Security Instrument to be a valid first lien on the Property, free and clear of all defects, liens, encumbrances and exceptions to title except liens for taxes not due and payable and such other matters as may be acceptable to Lender. If Lender initially accepts a Binder, it may require conversion to a title policy at any time at its sole discretion upon written demand at Borrower's sold expense. Any exceptions to title not clearly permitted by the title standards specified in Lender's closing instructions must have been specifically waived in writing by Lender. Said title insurance policy or Binder shall insure the lien of the Security Instrument securing the loan as a valid first lien on the fee simple title to the Property, without exception for mechanic's and materialmen's liens. Prior to each advance subsequent to the initial Loan closing, except as herein below provided, if required by Lender, at Borrower's expense, Lender shall receive a title policy endorsement indicating that since the last advance there has been no change in the state of the title except changes approved in writing by Lender. The title policy endorsement shall have the effect of increasing the coverage of the policy by an amount equal to the advance then being made and of changing the effective date of the policy to the date of such advance unless the policy by its terms provides coverage for future advances without such endorsement.

9. Prior to the first construction advance, Borrower will furnish Lender an original Builder's Risk Completed Value Fire and Extended Coverage Insurance Policy, naming lender as mortgagee (standard non-contributing mortgagee clause), said policy to be issued by a company acceptable to Lender. Such policy shall include, but not be limited to, insurance on the Property and all Improvements, materials, and supplies against loss or damage by fire and the risks and hazards insured against, be the standard form of extended coverage, and against vandalism and malicious mischief. Said policy shall contain standard subrogation clauses and is to be in such amounts as shall be approved by lender, which in no event shall be less than the amount of the Loan. The original of the policy (together with appropriate endorsements, evidence of payment of premiums thereon, and written agreements by the insurer or insurers therein to give Lender thirty (30) days prior written notice of intention to cancel) shall be delivered to Lender, and said insurance coverage shall be kept in full force and effect at all times until repayment of the Loan in full. In the event that Borrower defaults in any of its obligations to provide required insurance coverage, and Lender (in its sole discretion, but not being obligated to do so) undertakes to cause any insurance to be so provided, it is understood and agreed that Lender will be so doing to protect its interest in the Loan and the Property and that in so doing Lender shall have no obligation to Borrower, or any guarantors of the Loan, as to the amount, adequacy or in any other respect as to any insurance so obtained. Borrower will carry Workman's Compensation insurance, covering all liability of Borrower under the workman's compensation laws of the State in which the Land is located.
10. No loans will be approved and no funds will be disbursed for construction of houses on flood hazard property. In addition, Lender at its option may require that Borrower obtain the building permit(s) for a subject Lot(s) prior to the lot advance.
11. The Borrower and Contractor shall furnish the Lender with a complete duplicate set of Plans and Specifications. The Lender has the right, but not the obligation, during construction of the Improvements to inspect the same and require to be repaired or replaced, at Borrower's expense, any material or workmanship that does not comply with the Plans and Specifications. Such inspection shall not cost more than **\$500.00 Total**. Said amount shall be paid when required by Lender. Such inspections shall be deemed to be for the benefit of the Lender only and shall create no liability or responsibility to the Borrower; the parties expressly acknowledge that Lender has no obligation to monitor or control the work for Borrower. Lender's agreement to advance funds under this Agreement is expressly conditioned upon its continuing right to inspect the Property. Lender may inspect the Property at any reasonable time to determine the progress and quality of the Work and the condition of the Improvements, but Lender shall not be liable for the performance or default of any contractor or subcontractor, or for any failure to construct, complete, protect or insure the Improvements or materials, or for the payment of any cost or expense incurred in connection therewith, or for the performance or non-performance of any obligation of Borrower or Contractor; and nothing, including without limitation any disbursement hereunder or the deposit or acceptance of any document or instrument, shall be construed as a representation, warranty, or waiver express or implied, on Lender's part. Irrespective of a default under the Contract or work agreement by Contractor or for its failure to complete or perform all Work required of it under the Contract, Borrower shall have no right to offset, counterclaim or defense against Lender because of any claim Borrower may have against Contractor. The obligations arising under the Contract or Plans and Specifications between Contractor and Borrower are separate and independent of any obligations arising hereunder among the undersigned. Lender may perform any inspection by or through any employee, agent, or independent contractor.
12. Provided Borrower has strictly complied with the terms and provisions hereof and is not in default hereunder nor under the Note or in the Security Instrument, Lender will make disbursements against the Note up to the full amount thereof in accordance with the terms and conditions of the Agreement, and

Borrower agrees to accept all advances made by Lender pursuant to this Agreement up to the full amount of the Loan. If at the time any such draw request is made Lender determines that there are insufficient funds remaining to be advanced to complete the Improvements in accordance with the plans, Lender shall have no obligation to advance funds hereunder until such time as Borrower has deposited sufficient funds with Lender, when added to the remaining funds to be advanced, are sufficient in the opinion of Lender to complete said Improvements in accordance with the plans submitted to Lender.

13. Applications for advances against the Note are to be made by Borrower to Lender, with inspection requests, at least forty-eight (48) hours prior to expected advancement of funds. No advances may be made until an inspection of the Property has been made by Lender. The advances to be made with respect to construction items shall not exceed the cost of the work, acceptably completed, and materials incorporated into the Property. It is understood that any sum or sums required for the construction of the Improvements, over and above the proceeds of the Loan, shall be advanced by Borrower.
14. Subject to the terms and conditions of the Note, Security Instrument and this Loan Agreement, Lender will disburse funds to Borrower under this Agreement pursuant to the attached Schedule of Advances (if said Schedule is attached hereto). Lender reserves the right to disburse portions of the above described advances where strict compliance with the stages of construction have not been observed by the Borrower or its contractor, but no such disbursement shall be deemed a waiver of Lender's rights hereunder with respect to any future disbursement. Borrower agrees that such funds advanced for the payment of work performed and materials delivered to the job site shall be incorporated into the Property and in no event to use any of the Loan proceeds for person, family, household or other business purposes.
15. Borrower agrees to furnish Lender with such financial data on Borrower as Lender may reasonably request from time to time. Borrower will furnish from time to time, whenever requested, statements showing itemization of prospective expenditures, expenditures to date, items due and unpaid, and items necessary for completion, and will support such statements with receipted bills, affidavits, waivers of lien, and other evidence satisfactory to Lender.
16. Nothing herein shall be construed to waive or diminish any right or security of the Lender under the Note and Security Instrument. It is the purpose and intent hereof to set forth the agreement of the parties with respect to the Loan and to provide safeguards, protections and rights for the Lender in addition to those provided in the Note and Security Instrument and to better secure Lender's Loan. If a violation of any of the provisions of this Agreement is waived by the other contracting party, such waiver of violation shall not affect the remaining provisions of this instrument or further violations of the same provision, and the same shall be and remain in full force and effect.
17. Notwithstanding any provision to the contrary contained in this Agreement, the Note, the Security Instrument, or any other instruments executed in connection herewith, it is agreed by Lender and Borrower to be their joint intent at all times to comply with the usury and all other laws relating to this Construction Loan Agreement, the Note, and the Security Instrument, now or hereafter in effect in the United States and the state of the Security Instrument, and in particular, with Article 5069 of the Texas Revised Civil Statutes Annotated, Article 1302-2.009 of the Texas Miscellaneous Corporation Laws Act, 12 U.S.C.S85, 12 U.S.C.SS1811, Section 501 of the Depository Institutions Deregulation and Monetary Control Act (Public Law 96-221), and any subsequent revisions, repeals, or judicial interpretations thereof, to the extent that the same are applicable. If the laws of the United States or the State of Texas are ever revised, repealed or judicially interpreted, or any other circumstances should occur, and the same cause sums constituting interest as called for herein or under the Note or contracted for, charged or received with respect to the Loan, to be in excess of the amount (the "Maximum Amount") or to produce a

rate in excess of the rate (the "Maximum Rate") of interest that Lender may contract for, charge and collect pursuant to the provisions of applicable law and in regard to which the Borrower would not be prevented successfully from raising the claim or defense of usury, then it is Borrower's and Lender's express intent that all amounts in excess of the Maximum Amount theretofore collected by Lender, be at the option of the Lender, either refunded to the Borrower forthwith or credited on the unpaid principal amount of the Note, and the provisions hereof and of the Note and other Loan Documents shall be immediately deemed reformed so as to comply with the then applicable law, but so as to permit the recovery of the Maximum Rate and the Maximum Amount of interest which may be collected under said law. In addition, in the event that the Note is prepaid or the maturity of the Note is accelerated by reason of an election by the Lender hereunder or under the Note, earned interest may never include more than the amount calculated pursuant to the Maximum Rate, as if unearned interest is provided for herein or in the Note, the same shall be deemed cancelled, and if the same has been theretofore paid, then Lender may either return the same to Borrower or credit said unearned interest on the outstanding principal amount of the Note, whichever remedy may be elected by the Lender. Borrower hereby agrees to accept any sums returned by Lender, and hereby ratifies any credit to principal balance by Lender.

18. Borrower warrants and represents that the Note, Security Instrument and this Agreement are in all respects legal valid and binding according to their term and grant to Lender a direct, valid and enforceable first lien upon and security interest in the Property. The Borrower further warrants and represents to Lender that:
- a. No Chattel Mortgage, bill of sale, security agreement, financing statement or other title retention agreement has or will be executed with respect to any personal Property, chattel or fixture used in connection with the construction, operation or maintenance of Improvements on the Property, except for any financing statement or UCC-1 filing for the benefit of Lender executed in conjunction herewith.
  - b. The consummation of the transactions hereby contemplated and the performance of the obligations of Borrower and Lender under and by virtue of the Loan Documents will not result in any breach of, or constitute a default under, any mortgage, security instrument, deed of trust, lease, bank loan or credit agreement, corporation charter, bylaws, articles of partnership or other instrument to which Borrower is a party or by which it may be bound or affected, nor will such a breach ripen under such documents with notice or passage of time.
  - c. There are no undisclosed actions, suits or proceedings pending, or to the knowledge of Borrower, threatened against or affecting it or the Property, or involving the validity or enforceability of the Note, Security Instrument or this Agreement, or the priority of the lien thereof, at law or in equity, or before or by any governmental authority, except actions, suits, and proceedings which are fully covered by insurance and which, if adversely determined, would not substantially impair the ability of Borrower to perform each and every one of its obligations under and by virtue of the Loan Documents; and to the Borrower's knowledge it is not in default with respect to any order, writ, injunction, decree or demand of any court or any governmental authority, nor will it be upon any notice or passage of time.
  - d. Borrower has no knowledge of any violations or notices of violations of any federal laws or municipal ordinances or orders or requirements of the State in which the Property is located or any municipal department or other governmental authority having jurisdiction affecting the Property, which violation in any way relates to or affects the Property.
  - e. If Borrower purports to be a corporation or partnership, (i) it is a corporation or a partnership (as the case may be) duly organized, existing and in good standing under the laws of the State in which it is incorporated or created, (ii) it is duly qualified to do business and is in good standing in the State in which the Property is located, (iii) it has the corporate or other power, authority and legal right to carry on the business now being conducted by it and to engage in the

transactions contemplated by the Note, Security Instrument, other Loan Documents and this Agreement and (iv) the execution and delivery of the Loan Documents and the performance and observance of the provisions thereof have been duly authorized by all necessary corporate and stockholder actions of Borrower or by all the partners of Borrower.

- f. All of the information set forth in Borrower's Loan Application is true and correct.
  - g. Each of the warranties made by Borrower herein shall be considered and determined to have been made again at and as of the time that Borrower delivered to Lender each request for advance and Lender makes an advance pursuant to this Agreement.
  - h. Borrower will cooperate with Lender in obtaining for Lender the benefits of any insurance or other proceeds lawfully or equitably payable to it in connection with the transactions contemplated hereby and the collection of any indebtedness or obligation of Borrower to Lender incurred hereunder (including the payment by Borrower of the expense of an independent appraisal on behalf of Lender in case of fire or other casualty affecting the Property or Improvements).
  - i. Borrower will permit Lender and its representatives and agents to enter upon the Property and to inspect the Improvements and all materials to be used in the construction thereof and to cooperate and cause any contractor or sub-contractor to cooperate with Lender and its representatives and agents during such inspections; provided, however, that this provision shall not be deemed to impose upon Lender any duty or obligation whatsoever to undertake any such inspections, to correct any defects in the Improvements or to notify any person with respect thereto, and provided further that no liability shall be imposed upon lender, and no warranties (either expressed or implied) are made by Lender as to the quality or fitness of any Improvements, and no such liability or warranty shall be deemed or construed to arise by reason of any such inspection or inspections of the Property by Lender, its agents, employees, or representatives, any such inspections being made solely for the information of and benefit of Lender.
  - j. Borrower will promptly correct any structural defect in the Improvements or any departure from the plans and specifications not previously approved by Lender. The Advance of any loan proceeds shall not constitute a waiver of Lender's right to require compliance.
  - k. Lender shall, at its option, be provided with an opinion from Borrower's counsel in form and substance satisfactory to Lender and its counsel that this Loan transaction and the terms hereof do not constitute a usurious or unlawful loan transaction under applicable laws; that the Loan and Loan Documents and all terms and conditions thereof are valid and enforceable under applicable law and as to such other matters as Lender or its counsel may request.
  - l. Borrower hereby represents and warrants (a) that no director, officer, employee, shareholder, agent or representative acting on behalf of Lender, or purporting to act on behalf of Lender, has made any representation or statement upon which Borrower has relied or is relying with respect to the nature or quality of services to be rendered by Contractor under the Contract or with respect to Contractor's financial ability, expertise or any other matter, (b) that Borrower has made an independent judgment with respect to Contractor's qualifications in all respects, and (c) that Borrower has not relied on any act or omission to act by Lender, its directors, officers, employees, shareholder, agents or representatives. Borrower is responsible for the completion of the construction, if the Contractor does not fulfill Contractor's obligation to Borrower.
19. No advance of Loan proceeds hereunder shall constitute a waiver of any of the conditions precedent to Lender's obligations to make further advances, or any then existing defaults or of any Lender's rights and remedies arising there from. If Borrower is unable to satisfy any condition of any advance, the advance of Loan proceeds hereunder shall not have the effect of precluding Lender from thereafter declaring the Loan to be in default by reason of such inability.

20. The terms, provisions, conditions and requirements of this Agreement are for the benefit of parties hereto and to better define the terms of the Loan, and in no event shall the Lender be construed to be Borrower's agent, and in no event is Lender assuming Borrower's responsibility for proper payments to any contractor or others. It is specifically further intended that no third party, i.e., sub-contractor, or material supplier shall have any rights hereunder against Lender, or be entitled to the protection of any of the covenants herein contained, or be entitled to an equitable lien on the Loan proceeds, although such parties may have recourse against the Borrower.
21. If Borrower fails to comply with any provision hereof, or of the Note, Security Instrument or other Loan Documents, or should fail to become entitled to receive any advance hereunder, or if the Improvements are not constructed in accordance with the plans and specifications, or if Borrower should made an assignment for the benefit of creditors, or be adjudicated bankrupt, or have a Receiver appointed for any of its Property, or convey any interest therein, or if Borrower abandons the project or ceases work thereon for a period of more than ten (10) days, or if Borrower fails to complete the Improvements on or before the maturity date of the Note, then, in any such event, all obligations on the part of Lender to make any further advances shall cease, if Lender so elects, and the Note shall immediately become due and payable at the option (but not the obligation) of Lender, and in such event, Lender shall have the option to take possession of the Property (with or without foreclosing under the Security Instrument) and perform any work necessary to complete the Improvements substantially in accordance with the plans and specifications, and Borrower names and constitutes Lender its true and lawful attorney-in-fact with full power in the Property to negotiate, change, execute and deliver all documents transferring equitable or legal interest to the Property, including but not limited to contracts, offers, options, conveyances, or any other documents deemed necessary by the Lender, to complete the Improvements in the name of Borrower, and pay all bills and expenses incurred thereby, but in such event Lender does not assume responsibility to pay bills owed by Borrower at the time Lender elects to take possession of the Property, this power being coupled with an interest which cannot be revoked. The foregoing is in addition to all other remedies at law or in equity to which Lender may be entitled and have in the event of the contingencies specified hereinabove. In connection with the above, Lender, as the true and lawful attorney-in-fact of Borrower, shall have full power of substitution in the Property, and shall have the power to complete the said Property in the Borrower's name, and with respect thereto, such attorney-in-fact shall have the following additional powers:

To use any of Borrower's funds, including any balance which may be held in escrow and any funds which remain unadvanced for the purpose of completing the Improvements in the manner called for by the plans and specifications hereinabove mentioned; to make such additions, changes, and corrections to the plans and specifications which shall be necessary or desirable to complete the project in substantially the manner contemplated by the plans and specification; to employ such contractors or sub-contractors and agents, architects and inspectors, as shall be required for completion of the project; to pay, settle and compromise all existing bills, and claims which may be liens against the Property or as may be necessary or desirable for the completion of the Improvements, or for the clearance of title; to execute all applications and certificates in Borrower's name which may be required by any of the contract documents; and to do any and every act which Borrower might do in its behalf. Lender, as such attorney-in-fact, shall have the power to prosecute and defend all actions and require such performance as it deems necessary under guarantees provided to Lender. It is specifically understood and agreed that upon the occurrence of any default by Borrower in the terms of this Agreement or in the Note or Security Instrument, lender may, at its option, place any and all other construction loan agreements and attendant Loan Documents between Borrower and Lender in

default, and Lender shall be entitled to pursue its remedies as provided in such Construction Loan Agreements in the event of default.

22. Borrower agrees that Lender may (but is not obligated to) advance funds: (i) to remedy the breach of any of Borrower's obligations to make payments or to perform any other obligations or covenants under any of the Loan Documents; or (ii) to preserve, repair or maintain the Property, or to discharge all taxes, liens or claims filed against it; or (iii) to cure any event of default; (iv) to affect a funding under any source of funds available to liquidate the Loan; or (v) to remove the same from any bankruptcy, estate or similar proceedings; or (vi) otherwise deemed necessary or advisable by Lender to preserve the security for the Loan or to pay the Loan off. The sums covered by this Paragraph shall include all advances to pay for third party charges, including attorney's fees, management charges, appraisal fees, operational expenses, and surveyor, engineering and architectural fees. Borrower is obligated to reimburse the Lender for all of said sums. The obligations of the Borrower to pay the same shall be demand obligations in favor of the Lender. Any sums expended by Lender pursuant to the provisions of this Paragraph shall become part of the indebtedness secured by the Security Instrument, shall bear interest from date of disbursement at the rate provided in the Note, and shall be secured by the Security Instrument even though such sums, when added to the previous advances to Borrower, shall exceed the face amount of the Note.
23. This Agreement shall extend to and be binding upon the successor, heirs and assigns of the parties hereto, provided that Borrower shall not assign or transfer its rights or obligations hereunder without the prior written consent of Lender, and provided further that no person, firm or corporation contracting with Borrower, and no sub-contractor, shall be subrogated to be a third party beneficiary hereunder. Lender shall and may exercise all powers and authority granted it under this Agreement without any liability on its part to Borrower. As used herein the singular shall include the plural and the use of one gender all genders, as the context requires. In case of any conflict between the terms hereof and of any other of the Loan Documents, the terms hereof shall control, except that the terms of the Note shall control if there is a conflict between the terms thereof and the terms of any other Loan Documents, including this Agreement.
24. Any notice which any party may be required or may desire to give hereunder shall be given in writing and shall be deemed to have been given and conclusively to have been received upon deposit of the same in the United States Mail, First Class, postage paid, return receipt requested and addressed as follows:

<b>Borrower:</b>	<b>Lender:</b>
<b>Johnny Go Lightly and Tread Lightly,</b>	<b>ABC Bank</b>
<b>husband and wife</b>	<b>2310 W Interstate 20, 100</b>
<b>123 Sunset Drive</b>	<b>Arlington, Texas 76017</b>
<b>Dallas, Texas 75205</b>	

Any party hereto may change the address at which it is entitled to receive notice by written notice to the other parties. It is further agreed that written notice given in any method other than that set forth above shall be effective only when actually delivered to and received by the party of whom it is directed, but the use of other methods of giving notice (including hand delivered and telegraphic notices) are hereby expressly authorized.

25. The parties further acknowledge and agree that, in the event Borrower brings any legal or quasi-legal proceeding against Lender regarding any of the terms, conditions, duties and obligations of this Agreement, including, without limitation, to rescind, reform, enforce, construe or seek any other legal or equitable relief arising out of, this Agreement, and, in the event Lender prevails in that proceeding or adjudication, including any without prejudice adjudication, Lender shall be entitled to recover the

reasonable attorneys' fees, expenses and costs of court incurred by Lender in defending those claims upon which Borrower was unsuccessful through trial and upon appeal.

26. This Agreement shall be construed according to the laws of the State of Texas and the laws of the United States applicable to transactions in Texas.

IN WITNESS WHEREOF, the parties have executed this instrument the day and year first above mentioned.

\_\_\_\_\_  
Signature Date  
**Johnny Go Lightly**

\_\_\_\_\_  
Signature Date  
**Tread Lightly**

*[Sign Originals Only]*

**ABC Bank**

\_\_\_\_\_

By: \_\_\_\_\_



Lender: **ABC Bank**  
Borrower: **Johnny Go Lightly and Tread Lightly, husband and wife**  
Contractor: **Custom Homes, LLC**  
Property: **123 Sunset Drive, Dallas, Texas 75205**

## **Residential Construction Loan Borrower's Affidavit**

**Loan # 1111**

**BEFORE ME**, the undersigned authority on this day personally appeared the undersigned (hereinafter called "Borrower"), personally known to me to be the person whose name is subscribed hereto, and upon having been lawfully sworn upon oath deposes and states in connection with a transaction involving the construction of certain improvements on the property ("**Property**") described above:

**Borrower** hereby warrants and represents (which warranties, covenants, agreements and representations shall survive the making of any and all advances) as follows:

1. **Reliance.** The Borrower has been advised by the Lender that Lender is relying upon the recitals herein contained in connection with, among other things, negotiating and establishing the interest charges to Borrower in connection with a mortgage loan ("Loan"), and that this Affidavit has been executed by Borrower in connection with that Loan, and that this Affidavit has been executed by Borrower for the purpose of (i) inducing Lender's reliance on the recitals herein contained and (ii) inducing Lender to advance funds under the Residential Construction Loan Agreement ("Construction Loan Agreement") executed by Lender and Borrower to be dated as of funding, which funds will finance the construction of certain Improvements.

2. **Title.** Borrower is, or will be at the time of closing, the fee simple owner of the Property. The Property is the same as the property described in the Deed of Trust/Mortgage/Security Deed (the "Security Instrument") securing the note (which evidences the Loan) executed by Borrower to Lender, both dated the same date as this Affidavit. There are no liens, claims or charges against the Property, other than those that are allowed in the loan documents, or that have been previously approved and agreed to by Lender.

3. **No Work Performed** No work of any kind (including the destruction or removal of any existing improvements, site work, clearing, grubbing, draining or fencing of the land) has been commenced or performed on the Property, no materials or supplies have been delivered to the Property, and no specially manufactured or prefabricated items have been ordered that are to be used in the construction of the Improvements by or for Borrower.

4. **Selection of Contractor.** Borrower hereby represents and warrants (a) that no director, officer, employee, shareholder, agent or representative acting on behalf of Lender, or purporting to act on behalf of Lender, has made any representation or statement upon which Borrower has relied or is relying with respect to the nature or quality of services to be rendered by Contractor under the Contract or with respect to Contractor's financial ability, expertise or any other matter, (b) that Borrower has made an independent judgement with respect to Contractor's qualifications in all respects, and (c) that Borrower has not relied on any act or omission to act by Lender, its directors, officers, employees, shareholder, agents or representatives. Borrower is responsible for the completion of the construction, if the Contractor does not fulfill Contractor's obligation to Borrower.

5. **No Previous Written or Oral Contracts.** No written Contract regarding the construction of all or any

---

Residential Construction Loan Borrower's Affidavit - One Time

portion of the improvements to be constructed by or for Borrower on the Property has been recorded or filed for record in the Office of the County Clerk of the county where the Property is located, and no affidavit regarding any oral contract for the construction of all or any portion of the improvements to be constructed by or for Borrower has been recorded or filed for record in the Office of the County Clerk of the county where the Property is located. To the best of Borrower's knowledge, no person has taken or permitted any action that would cause the inception or priority of any mechanic's or materialman's lien, or any other lien, charge, or encumbrance upon the Property to be prior to or superior to the liens and security interest of the Security Instrument executed by Borrower in connection with this transaction.

6. **Contract is Entire Agreement.** The Contract incorporates any work agreement between the Borrower and the Contractor and Construction Loan Agreement which includes the Plans and Specifications as an exhibit constitute the entire agreement between Borrower and Contractor in connection with the construction of the improvements. The funds to be advanced to Borrower, together with Borrower's equity, down payment and other funds to be placed in an account as provided in the Construction Loan Agreement, are sufficient to fully construct the improvements and pay all expenses necessary for such construction.

7. **Commencement of Construction.** That five (5) days after execution of the Contract, Borrower will cause Contractor to commence construction of the improvements, that said improvements will be completed substantially in accordance with the provisions of the Plans and Specifications and Contract, and that the improvements will be completed on or before the completion date stated in the Contract. That all material delivered to and upon the Property for the purpose of being incorporated in the improvements shall be considered annexed to the Property and become a part thereof, and shall be subject, as against Borrower, to the rights of Lender under the Contract and Security Instrument. That each advance made under the Construction Loan Agreement will be used solely for the payment of and for material, labor, services, costs, and expenses, provided for or incurred in connection with the construction of the improvements, as such materials are incorporated into and/or services, costs and expenses are provided thereto, or for such costs and expenses agreed to by Lender in writing.

8. **Change Orders.** Borrower shall not change the Plans and Specifications or request the Contractor to perform any changes without first securing Lender's written consent to such change order.

9. **Hazardous Waste.** That the Property has not been and is not now being used in violation of any federal, state or local environmental law, ordinance or regulation. Borrower has not filed nor been required to file any federal, state or local reports of hazardous substances found or disposed on any real property now or previously owned by Borrower. No proceedings have been commenced, or notices received concerning any alleged violation of any environmental laws, ordinances or regulations. The Property is free of underground storage tanks, out-of-use transformers, hazardous, radioactive or toxic wastes, contaminants, oil, or other material. The Property will not be used in conjunction with, or for any activity involving, directly or indirectly, the generation, treatment, storage, transportation, manufacture, use or disposition of hazardous or toxic chemicals, materials, substances or hazardous waste of any kind. Neither the Property, the soil making up any portion thereof, nor the ground water thereunder making up any portion thereof shall be contaminated so as to be subject to any "clean-up", or similar requirement, regulation, ordinance, or law of governmental authority, which would in any way inhibit, impair, delay or increase the cost of the improvement, operation, or use of the improvement, operation, or use of the Property. Borrower will not install, or allow to remain upon the Property, any chemical, material or substance, exposure to which is prohibited, limited or regulated by any federal, state, county, regional or local authority, or which, even if not so regulated, may or could pose a hazard to the health and safety of the occupants of the Property or to the owners of the Property.

10. **Information/Other Documentation.** Borrower agrees to disclose to Lender in writing, on demand, the names of all persons with whom Borrower or Contractor have contracted, or intended to contract, for the

---

Residential Construction Loan Borrower's Affidavit - One Time

furnishing of labor and materials for the construction of the improvements. Borrower agrees to obtain and furnish all such bonds, lien waivers surveys, releases and other documents as Lender may deem necessary or may request from time to time.

11. **Borrower's Financial Status.** That there are no pending lawsuits, judgments or garnishments against Borrower which may in any way impair the ability of Borrower to fully perform all obligations provided in the Contract or Construction Loan Agreement, or which may affect the Property, Contract, or Security Instrument. All warranties, representations and certifications made, and all information and material submitted or caused to be submitted to Lender in connection with the Loan are true and correct, and there have been no material changes in the conditions affecting any of such warranties, representations, certifications, information or material prior to the date of this Affidavit.

12. **Covenants of Borrower.** The execution and delivery of all documents executed or delivered by or on behalf of Borrower and pertaining to the Loan have been duly authorized and approved by the party executing such documents and constitute the valid and binding obligations of Borrower enforceable in accordance with their respective terms, and the payment or performance thereof will be subject to no offsets, claims or defenses of which Borrower is aware. Borrower shall perform all obligations under the Contract, Note and Security Instrument, and promptly pay when due, from the proceeds of the Loan, all costs, charges and expenses, incurred in connection with the construction of improvements. Borrower shall keep the Property free and clear of any and all liens other than the Mechanic's Lien Contract as renewed and extended by the Security Instrument, and protect the Property and improvements from events and circumstances which would cause said Property or improvements to decrease in value.

13. **Reimbursement.** To reimburse Lender for all expenses of any kind which may be incurred by Lender in connection with or arising out of the Loan, and that Lender may deduct from any advance to be made, any amount necessary for the payment of any unpaid interest owing to Lender or any fees, expenses, charges, liens, or encumbrances relating to the construction of the improvements or upon the Property, or any other amounts necessary for the payment of the cost of constructing the improvements, and all sums so deducted or applied shall be deemed advances under the Construction Loan Agreement.

14. **Indemnification.** That Borrower herewith indemnifies and holds Lender harmless for, from and against any and all actions, claims, demands, damages, costs, expenses, and other liabilities, including, but not limited to, attorney's fees, which Lender may incur that in any way relate to or arise out of the construction of the Improvements.

15. **Performance Agreement Upon Completion.** Borrower agrees to provide Lender, within ten (10) days of Lender's request, with the following:

a. **Insurance.** An original fire and extended coverage hazard insurance policy insuring the Property in an amount at least equal to the Loan amount with the first year's premium paid receipt. Binders are not acceptable. The Property legal description, street address, city, county, state, ZIP, and Borrower name indicated on the policy must be identical to that contained within the loan documents. The mortgagee clause of the policy should exactly match the name and address of Lender indicated in the Security Instrument. Additionally, the Loan number must be included on the policy. The insurance obtained must be through a company which has at least a Class "A" or better rating through Best's Key Rating Guide for Property-Casualty. The policy inception date must be on or before the date of completion of construction. In addition to the first year's hazard insurance premium, an amount equal to one-sixth of the first year's premium must be provided to Lender. If the Property is located within a Flood Hazard Area, flood insurance will be required and either the original policy or a copy of the application, along with the paid receipt for the first year's premium must be provided. The insured amount should be at least the loan amount. In addition to the first year's flood insurance premium, an amount equal to one-sixth

---

Residential Construction Loan Borrower's Affidavit - One Time

of the first year's premium must be provided to Lender.

b. **Taxes.** An amount sufficient to pay all unpaid property taxes when due plus one-sixth of the annual amount assessed must be paid to Lender. This amount should be based on an improved value, if applicable. If the tax impounds are calculated on an estimated basis, because the improvement have not yet been assessed by the taxing authority, Borrower understands and agrees that adjustments may be required at the time Lender has received the tax statements reflecting the amount due for the fully assessed Property. This could result in one or more of the following: an impound account shortage, which Borrower will be required to pay; an impound account overage, which will be refunded to Borrower or applied against the next year's escrows; and an adjustment to Borrower monthly tax impound payments. In addition to collected tax escrows, if the Borrower took title to the Property in the previous year (i.e., closing occurred in the previous year), Borrower must provide evidence previous year's taxes have been paid.

c. **Mortgage Insurance.** If the loan-to-value ratio is 80% or greater, Borrower agrees to pay the mortgage insurance premium for the first year's coverage plus mortgage insurance escrows in the amount equal to two months.

d. Borrower must execute and acknowledge, and deliver to Lender or the appropriate authority, as necessary, a completion affidavit which shall be filed of record, an acceptance of the Property, a modification of loan documentation should Lender so require and any other documents required by Lender.

Borrower understands that this Affidavit is made for the purpose of inducing the Lender to advance the money pursuant to the terms of the Loan documents, and the Lender is relying upon the truth and accuracy of the statements made in this Affidavit in advancing such loan proceeds. Further, Borrower agrees to indemnify and save Lender harmless against costs, damages, attorney's fees, expenses and liabilities which it may incur or sustain in connection with the incorrectness of any of these representations or any court action arising therefrom and will pay the same upon demand. Borrower further agrees to indemnify and save Lender harmless for, from and against any claims by or against the Contractor or any subcontractors or material suppliers.

EXECUTED this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
Signature Date  
**Johnny Go Lightly**

\_\_\_\_\_  
Signature Date  
**Tread Lightly**

*[Sign Originals Only]*

SUBSCRIBED AND SWORN TO BEFORE ME on the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_ by **Johnny Go Lightly and Tread Lightly.**

\_\_\_\_\_  
Notary Public  
Printed Name of Notary: \_\_\_\_\_  
My Commission Expires: \_\_\_\_\_

Lender: **ABC Bank**  
Borrower: **Johnny Go Lightly and Tread Lightly, husband and wife**  
Contractor: **Custom Homes, LLC**  
Property: **123 Sunset Drive, Dallas, Texas 75205**

## **Residential Construction Loan Contractor's Affidavit**

**Loan # 1111**

**BEFORE ME**, the undersigned authority, on this day personally appeared the undersigned (hereinafter called "**Contractor**"), personally known to me to be the person (if an individual) or authorized officer, employee or agent of the business entity whose name is subscribed hereto, and upon his oath deposes and states in connection with a transaction involving the construction of certain Improvements on the property ("**Property**") described above:

**Contractor** for itself and for all subcontractors claiming under **Contractor**, and for each of their respective successors and assigns hereby warrants and represents that the following statements are true and correct:

1. **Reliance.** The **Contractor** has been advised by the **Lender** that **Lender** is relying upon the recitals herein contained in connection with a mortgage loan, and that this **Affidavit** has been executed by **Contractor** for the purpose of inducing **Lender's** reliance on the recitals herein contained.
2. **No Work Performed.** No work of any kind (including the destruction or removal of any existing improvements, site work, clearing, grubbing, draining, or fencing of the land) has been commenced or performed on the **Property** and no equipment, or materials have been delivered to the **Property** for any purpose whatsoever.
3. **No Contract Filed.** No written contract or oral agreement regarding the construction of all or any portion of the improvements or a memorandum or affidavit thereof has been recorded by or for **Contractor** in the county where the **Property** is located or in any other county. No contract, or any memorandum or affidavit thereof, for the construction of any improvements, performance of labor, furnishing of materials or providing of specially fabricated materials in connection with the contemplated construction has, to the knowledge of **Contractor**, been filed by or for a subcontractor in the county where the **Property** is located or in any other county.
4. **Construction Cost.** To the best of **Contractor's** knowledge and belief, the improvement construction costs as detailed in the Draw Schedule and Construction Loan Advance Request attached hereto as EXHIBIT A and made a part hereof are accurate and consistent with **Contractor's** agreement with **Borrower**.
5. **Notice of Default.** If **Contractor** becomes aware of any **Borrower** default to **Lender**, **Contractor** shall promptly give **Lender** written notice thereof; and if **Contractor** learns of any default in payment due to any subcontractor or other person supplying labor or materials for the project, **Contractor** shall promptly give **Lender** written notice thereof.
6. **Continued Performance.** Upon receipt of written notice from **Lender** that **Borrower** is in default to **Lender** and instruction to continue work on **Lender's** behalf, **Contractor** shall continue work on the **Property** provided that **Contractor** shall be reimbursed in accordance with its agreement with **Borrower**.
7. **Lender Not Liable.** Nothing herein shall be construed to impose upon **Lender** any duty to advance the proceeds of the loan to the **Contractor** in accordance with **Contractor's** agreement with **Borrower**. **Contractor** acknowledges that **Lender** is obligated only to **Borrower** and to no other person or entity.

---

Res. Const. Contractor's Affidavit-Contractor 1

8. **Building Permits.** Any and all approvals, permits or licenses (including, without limitation, a building permit) for the clearing and grading of the **Property**, the preparation of the surface and subsurface of the Property, and the placement, appearance and construction of the improvements, have been applied for and received by **Contractor**, in either the name of **Contractor** or **Borrower**.

9. **Change Orders.** **Contractor** shall not perform work under any change order without first securing Lender's written consent to such change order. Lender's written consent shall not constitute an assumption by Lender of any obligations, unless such obligations are expressly set forth in such consent.

10. **Independent Contractor.** **Contractor** hereby covenants and warrants that all work performed by **Contractor** shall be as an independent contractor under the sole supervision, management, direction and control of **Contractor** and not as an employee, partner, agent or joint venturer of Lender. **Contractor** also hereby holds harmless and unconditionally indemnifies Lender for, from and against all liability, cost, expenses, claims and damages sustained by reason of any accidents, damages or injuries to persons or property arising from the work performed. **Contractor** further agrees at all times to maintain in full force and effect Workmen's Compensation, Public Liability and Property Damage and Builder's Risk Insurance. **Contractor** agrees that it will comply with any and all applicable State and Federal laws now in force and which may hereafter become effective and applicable, including but not limited to laws and or regulations regarding Unemployment Insurance, Social Security, Old Age Pension, Wage and Hour, the Federal Labor Standards Act, OSHA and EEOC requirements and that **Contractor** will at all times protect, hold harmless, and unconditionally indemnify Lender for, from and against any loss, cost, damage, change or expense which Lender might sustain by reason of any failure on the part of **Contractor** to so comply.

11. **Hazardous Waste.** To **Contractor's** knowledge and belief, there are no hazardous wastes or toxic substances on or beneath the surface of the Property, excepting as applicable, such utilities as normally serve a residential property. **Contractor** will cause all chemicals, compounds and building materials to be used, applied, stored and disposed of in strict accordance with manufacturer's directions and government regulations.

12. **Final Disbursement.** Final funds will be released upon receipt by Lender of the following: 1) satisfactory completion of the project as evidenced by the final appraisal; 2) satisfactory final survey locating all improvements on the Property; and 3) receipt of "Completion of Improvements" policy endorsements from the title company. The title company may require an All Bills Paid Affidavit and/or Completion Affidavit from the Contractor prior to supplying Lender with the endorsements.

13. **Subordination.** **Contractor** hereby expressly subordinates, to the extent that **Lender** advances sums pursuant to its loan agreement with **Borrower**, all contractual, statutory and constitutional mechanic's, artisan's and materialman's liens to which **Contractor** may be or become entitled to any liens and security interests securing the loan contemplated by the loan agreement. Such subordination includes any and all increases, renewals, modifications, extensions, substitutions, replacements and/or consolidation of the Security Instrument securing such loan.

This **Affidavit** may not be modified orally or in any manner other than by an agreement in writing signed by the **Lender** and **Contractor** or their respective successors and assigns. This **Affidavit** shall inure to the benefit of and be binding upon the **Lender** and **Contractor**, their successors and assigns, and any purchasers at foreclosure of the Property, and their respective heirs, personal representatives, successors and assigns. This **Affidavit** shall be construed in accordance with the laws of the State in which the **Property** is located and the laws of the United States applicable to transactions in said state.

EXECUTED this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

**Custom Homes, LLC, a Texas limited liability company**

\_\_\_\_\_  
Signature Date  
**Joe Smith, Managing Member**

SUBSCRIBED AND SWORN TO BEFORE ME on the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_ by **Joe Smith, Managing Member of Custom Homes, LLC, on behalf of said limited liability company.**

\_\_\_\_\_  
Notary Public  
Printed Name of Notary: \_\_\_\_\_  
My Commission Expires: \_\_\_\_\_

Lender: **ABC Bank**  
Borrower: **Johnny Go Lightly and Tread Lightly, husband and wife**  
Contractor: **Custom Homes, LLC**  
Property: **123 Sunset Drive, Dallas, Texas 75205**

## Lender's Disbursement Statement Authorization

**Loan # 1111**

I/We, the above referenced Borrowers, hereby direct Lender to disburse construction advances on the above referenced loan as follows:

- 1)  All disbursements are to be made by deposit from Lender into an account maintained at Lender's office created by Borrower for the disbursement of construction advances with signing privileges according to the account agreement. Use of the Construction Loan Account is restricted to the above-referenced transaction and as set out in the Construction Loan Agreement and shall not be used for any other purpose.
- 2)  All disbursements are to be made payable solely to Contractor into an account established by the Contractor with approval from Borrower. Use of the Construction Loan Account is restricted to the above-referenced transaction and as set out in the Construction Loan Agreement and shall not be used for any other purpose.
- 3)  All disbursements are to be made as jointly payable checks to Contractor and Borrower.
- 4)  All disbursements will be made solely to the Borrower. Contractor will request funds directly from the Borrower.
- 5)  All disbursements will be made as jointly payable checks to Contractor and Subcontractor.

If Lender disburses pursuant to options 1 or 2 above, Lender shall obtain from the Contractor the signed periodic statement (draw request) that covers the funds for which the Contractor is requesting payment and provide to the Borrower a statement of funds disbursed (disbursement statement) by the Lender since the last statement was provided to the Borrower. The disbursement statement and copy of the draw request will be provided to Borrower on the same day that Lender disburses to Contractor. Lender will provide said disbursement statement and draw request to Borrower. Lender, at Lender's option, may provide the disbursement statement to Borrower by either 1) hand delivery to Borrower before disbursement, 2) depositing the disbursement statement in the United States mail, postage prepaid on the same day of disbursement, or 3) faxed to Borrower before disbursement. Borrower agrees that any of these delivery methods are acceptable to Borrower and will constitute constructive notice at the time Lender places said documents in the mail. Lender may request Borrower's signature and return of each Disbursement Statement.

These directions supersede conflicting language in any construction loan agreement or any other documents to the contrary.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

**Johnny Go Lightly**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

**Tread Lightly**

**Lender's Disbursement Statement Authorization**



*[Sign Originals Only]*

---

**Lender's Disbursement Statement Authorization**

# Affidavit of Non-Commencement

THE STATE OF **Texas**  
COUNTY OF **Dallas**

BEFORE ME, the undersigned authority, on this day personally appeared **Johnny Go Lightly and Tread Lightly, husband and wife** and **Custom Homes, LLC**, (“Affiant(s)”), known to me to be the person(s) whose name(s) are subscribed below, and who, being by me first duly sworn, did each on his or her oath state as follows:

1. **Johnny Go Lightly and Tread Lightly, husband and wife** has inspected the real property (the “Property”) situated in **Dallas** County, **Texas**, more particularly described as follows:

**LOT 1111, OF COUNTRY CLUB ESTATES, SECTION ELEVEN, A SUBDIVISION IN DALLAS COUNTY, TEXAS, ACCORDING TO THE MAP OR PLAT THEREOF RECORDED IN VOLUME 11, PAGE 11 OF THE PLAT RECORDS OF DALLAS COUNTY, TEXAS.**

on which Improvements (herein so called), will be constructed.

2. Affiant(s) hereby certify that no work has begun and no materials have been delivered to or were located upon said Property as of the signing of this Affidavit and the related loan documents.

3. This affidavit has been made by and through an authorized representative of Affiant, and may be recorded by any person with the county clerk of the county in which the Property is located.

EXECUTED this **Eleventh** day of **October, 2012**.

\_\_\_\_\_  
Signature **Johnny Go Lightly** Date

\_\_\_\_\_  
Signature **Tread Lightly** Date

*[Sign Originals Only]*

**Custom Homes, LLC, a Texas limited liability company**

\_\_\_\_\_  
Signature **Joe Smith, Managing Member** Date

SUBSCRIBED AND SWORN TO BEFORE ME on the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ by **Johnny Go Lightly and Tread Lightly.**

\_\_\_\_\_  
Notary Public  
Printed Name of Notary: \_\_\_\_\_  
My Commission Expires: \_\_\_\_\_

SUBSCRIBED AND SWORN TO BEFORE ME on the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ by **Joe Smith, Managing Member of Custom Homes, LLC, on behalf of said limited liability company.**

\_\_\_\_\_  
Notary Public  
Printed Name of Notary: \_\_\_\_\_  
My Commission Expires: \_\_\_\_\_

# Assignment and Transfer of Lien

THE STATE OF TEXAS

KNOW ALL MEN BY THESE PRESENTS:

COUNTY OF **Dallas**

That **ANOTHER LENDER, N.A.** acting herein by and through its duly authorized officers, hereinafter called transferor, for and in consideration of TEN AND NO/100 DOLLARS CASH, AND OTHER GOOD AND VALUABLE CONSIDERATION, to it in hand paid by **ABC Bank** hereinafter called transferee, the receipt of which is hereby acknowledged, has this day Sold, Conveyed, Transferred and Assigned and by these presents does Sell, Convey, Transfer and Assign unto the said transferee the hereinafter described indebtedness.

AND transferor further Grants, Sells and Conveys unto the transferee all the rights, title, interest and liens owned or held by transferor in the hereinafter described land by virtue of said indebtedness herein conveyed and assigned.

TO HAVE AND TO HOLD unto the said transferee, transferee's heirs and assigns the following described indebtedness together with all and singular the following mentioned lien and any and all liens, rights, equities, remedies, privileges, titles and interest in and to said land, which transferor has by virtue of being legal holder and owner of said indebtedness. For value received holder of the note and liens transfers/assigns them to Transferee, without warranty and without recourse on the holder.

SAID INDEBTEDNESS, LIENS AND LAND BEING DESCRIBED AS FOLLOWS:

**DEED OF TRUST DATED MARCH 16, 2010, EXECUTED BY JOHNNY GO LIGHTLY AND WIFE, TREAD LIGHTLY TO MICHAEL PATTERSON, TRUSTEE, WHICH SAID DEED OF TRUST IS RECORDED UNDER DOCUMENT NO. 111111111 OF THE OFFICIAL PUBLIC RECORDS OF DALLAS COUNTY, TEXAS, SECURING THE PAYMENT OF A NOTE OF EVEN DATE THEREWITH IN THE PRINCIPAL AMOUNT OF \$10,400.00, PAYABLE TO THE ORDER OF ANOTHER LENDER, N.A., FREDERICKSBURG, TEXAS AND SUBJECT TO ALL OF THE TERMS, PROVISIONS AND CONDITIONS CONTAINED IN SAID DEED OF TRUST, INCLUDING BUT NOT LIMITED TO ANY ADDITIONAL EXISTING OR FUTURE INDEBTEDNESS ALSO SECURED BY SAID DEED OF TRUST.**

Said lien secured by the following described property:

**LOT 1111, OF COUNTRY CLUB ESTATES, SECTION ELEVEN, A SUBDIVISION IN DALLAS COUNTY, TEXAS, ACCORDING TO THE MAP OR PLAT THEREOF RECORDED IN VOLUME 11, PAGE 11 OF THE PLAT RECORDS OF DALLAS COUNTY, TEXAS.**

EXECUTED, to be effective the **Eleventh** day of **October, 2012.**

ATTEST:

ANOTHER LENDER, N.A.

\_\_\_\_\_

\_\_\_\_\_

STATE OF TEXAS

COUNTY OF \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 2\_\_\_\_  
by \_\_\_\_\_.

\_\_\_\_\_  
Notary Public

Printed Name: \_\_\_\_\_

My Commission Expires: \_\_\_\_\_

**RETURN TO:**

**ABC Bank  
2310 W Interstate 20, 100  
Arlington, TX 76017  
Ambra Costner**

Lender: **ABC Bank**  
Borrower: **Johnny Go Lightly and Tread Lightly, husband and wife**  
Property: **123 Sunset Drive, Dallas, Texas 75205**  
Contractor: **Custom Homes, LLC**

**Texas  
Waiver of the List of  
Subcontractors and Suppliers**

**Loan # 1111**

**AN OWNER IS NOT REQUIRED TO WAIVE THE RIGHT GRANTED BY SECTION 53.256, PROPERTY CODE, TO RECEIVE FROM THE CONTRACTOR AN ORIGINAL OR UPDATED LIST OF SUBCONTRACTORS AND SUPPLIERS.**

**BY SIGNING THIS DOCUMENT, I AGREE TO WAIVE MY RIGHT TO RECEIVE FROM THE CONTRACTOR AN ORIGINAL OR UPDATED LIST OF SUBCONTRACTORS AND SUPPLIERS.**

**I UNDERSTAND AND ACKNOWLEDGE THAT, AFTER SIGNING THIS DOCUMENT, THIS WAIVER MAY NOT BE CANCELED AT A LATER DATE.**

**I HAVE VOLUNTARILY CONSENTED TO THIS WAIVER.**

\_\_\_\_\_  
Signature Date  
**Johnny Go Lightly**

\_\_\_\_\_  
Signature Date  
**Tread Lightly**

*[Sign Originals Only]*

Lender: **ABC Bank**  
Borrower: **Johnny Go Lightly and Tread Lightly, husband and wife**  
Property: **123 Sunset Drive, Dallas, Texas 75205**

**Deletion of Arbitration Provision**  
**(Not applicable to the Texas Residential Owner Policy)**

**Loan # 1111**

ARBITRATION is a common form of alternative dispute resolution. It can be a quicker and cheaper means to settle a dispute with your Title Insurance Company (“the Company”). However, if you agree to arbitrate, you give up your right to take the Company to court and your rights to discovery of evidence may be limited in the arbitration process. In addition, you cannot usually appeal an arbitrator’s award.

**Your policy contains an arbitration provision (shown below). It allows you or the Company to require arbitration if the amount of insurance is \$1,000,000 or less. If you want to retain your right to sue the Company in case of a dispute over a claim, you must request deletion of the arbitration provision before the policy is issued. You can do this by signing this form and returning it to the Company at or before the closing of your real estate transaction or by writing to the Company.**

The Arbitration provision in the Policy is as follows:

“Unless prohibited by applicable law or unless this arbitration section is deleted by specific provision in Schedule B of this policy, either the Company or the Insured may demand arbitration pursuant to the Title Insurance Arbitration Rules or the American Arbitration Association. Arbitrable matters may include, but are not limited to, any controversy or claim between the Company and the Insured arising out of or relating to this Policy, and service of the Company in connection with its issuance or the breach of a policy provision or other obligation. All arbitrable matters when the Amount of Insurance is \$1,000,000 or less SHALL BE arbitrated at the request of either Company or the Insured, unless the Insured is an individual person (as distinguished from a corporation, trust, partnership, association or other legal entity). All arbitrable matters when the Amount of Insurance is in excess of \$1,000,000 shall be arbitrated only when agreed to by both the Company and the Insured. Arbitration pursuant to this Policy and under the Rules in effect on the date the demand for arbitration is made or, at the option of the Insured, the rules in effect at the Date of Policy shall be binding upon the parties. The award may include attorneys’ fees only if the laws of the state in which the land is located permit a court to award attorney’s fees to a prevailing party. Judgment upon the award rendered by the Arbitrator(s) may be entered in any court having jurisdiction thereof.

The Law of the situs of the land shall apply to an arbitration under the Title Insurance Arbitration Rules.

A copy of the Rules may be obtained from the Company upon request.

I request deletion of the Arbitration provision.

**ABC Bank**

\_\_\_\_\_

By: \_\_\_\_\_



Lender: **ABC Bank**  
Borrower: **Johnny Go Lightly and Tread Lightly, husband and wife**  
Property: **123 Sunset Drive, Dallas, Texas 75205**

## Disclosure of Right to Receive a Copy of an Appraisal

Loan # 1111

Applicant(s) name(s) / Address(es) ("You", "Your") <b>Johnny Go Lightly and Tread Lightly, husband and wife</b>  <b>123 Sunset Drive</b> <b>Dallas, TX 75205</b>	Lenders name / Address ("We", "Us") <b>ABC Bank</b> <b>2310 W Interstate 20, 100</b> <b>Arlington, Texas 76017</b>
--	---

DATE: **October 11, 2012**

Under the Equal Credit Opportunity Act (ECOA) you have the right to receive a copy of the appraisal report used in connection with your application for credit. If you wish to receive a copy, please follow the instructions provided below.

We must hear from you no later than 90 days after we notify you about the action taken on your loan application (the credit decision). If you withdraw your application before we take action, we must hear from you no later than 90 days after you withdraw your application.

To request a copy of the appraisal report, you must contact us by writing to us at the address provided above. Please provide us with the following information at the time you make your request:

- The names of the applicant(s)
- The date of your application
- The address of the appraised property
- The address to which we should send the copy of the report

The ECOA requires that we mail or deliver a copy of the appraisal report promptly (generally within 30 days) after we receive your request, receive the appraisal report, or receive reimbursement from you for the report, whichever occurs last.

\_\_\_\_\_  
Signature **Johnny Go Lightly** Date

\_\_\_\_\_  
Signature **Tread Lightly** Date

*[Sign Originals Only]*

Lender: **ABC Bank**  
Borrower: **Johnny Go Lightly and Tread Lightly, husband and wife**  
Property: **123 Sunset Drive, Dallas, Texas 75205**

## **Collateral Protection Insurance Notice (Texas)**

**Loan # 1111**

Pursuant to Texas law (Tex. Finance Code § 307.052), Lender is required to give the following notice at the time the credit agreement is executed.

You have entered into a credit agreement that requires you to maintain Collateral Protection Insurance for the above property. As part of this agreement, you are required to:

1. **Keep the collateral insured against damage in the amount the Lender specifies;**
2. **Purchase the insurance from an insurer that is authorized to do business in this state or an eligible surplus lines insurer;**
3. **Name Lender as the party to be paid under the policy in the event of a loss; and**
4. **If required by Lender, deliver to Lender a copy of the policy and proof of the payment of premiums.**

If you fail to meet any requirement listed above, Lender may obtain Collateral Protection Insurance on your behalf and at your expense.

### **ACKNOWLEDGMENT**

I/We hereby acknowledge receipt of this Collateral Protection Insurance Notice and further acknowledge that I/we understand its provisions.

\_\_\_\_\_  
Signature Date  
**Johnny Go Lightly**

\_\_\_\_\_  
Signature Date  
**Tread Lightly**

*[Sign Originals Only]*

## Texas Consumer Complaint Process Notice State Chartered Bank & Trusts

The **ABC Bank** is chartered under the laws of the State of Texas and by state law is subject to regulatory oversight by the Texas Department of Banking. Any consumer wishing to file a complaint against the **ABC Bank** should contact the **Consumer Complaints Administrator** of the Texas Department of Banking through one of the means indicated below:

<b>In Person or by U.S. Mail:</b>	<b>2601 N. Lamar Boulevard, Suite 300 Austin, Texas 78705-4294.</b>
<b>Telephone No.:</b>	<b>877-276-5554 (Toll Free)</b>
<b>Fax No.:</b>	<b>512-475-1313</b>
<b>E-mail:</b>	<b>consumer.complaints@dob.texas.gov</b>
<b>Website:</b>	<b><a href="http://www.dob.Texas.gov/bnt/ccbank.htm">http://www.dob.Texas.gov/bnt/ccbank.htm</a></b>

By signing below, I/we acknowledge receipt of a copy of this Texas Consumer Complaint Process Notice.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

**Johnny Go Lightly**

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

**Tread Lightly**

*[Sign Originals Only]*

Lender: **ABC Bank**  
Borrower: **Johnny Go Lightly and Tread Lightly, husband and wife**  
Property: **123 Sunset Drive, Dallas, Texas 75205**

## Notice of No Oral Agreements

**Loan # 1111**

**THIS WRITTEN LOAN AGREEMENT REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES.**

**THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.**

**Receipt of Notice:** The undersigned hereby represents and warrants that I/we have each received and read a copy of this Notice on or before the execution of the "Loan Agreement." "Loan Agreement" means one or more promises, promissory notes, agreements, undertakings, security agreements, deeds of trust or other documents, or commitments, or any combination of those actions or documents, pursuant to which a financial institution loans or delays repayment of or agrees to loan or delay repayment of money, goods, or any other thing of value or to otherwise extend credit or make a financial accommodation.

\_\_\_\_\_  
Signature Date  
**Johnny Go Lightly**

\_\_\_\_\_  
Signature Date  
**Tread Lightly**

*[Sign Originals Only]*

Lender: **ABC Bank**  
Lender Address: **2310 W Interstate 20, 100, Arlington, TX 76017**  
Borrower: **Johnny Go Lightly and Tread Lightly, husband and wife**  
Property: **123 Sunset Drive, Dallas, Texas 75205**

**Fair Credit Reporting Act Notice**  
**(Prior to Furnishing Negative Information to**  
**Nationwide Consumer Reporting Agency)**

**Loan # 1111**

Pursuant to the Fair Credit Reporting Act and Regulation V, we are required to provide you with the following information:

We may report information about your loan and/or account to credit bureaus. Late payments, missed payments, or other defaults on your loan and/or account may be reflected in your credit report.

**ACKNOWLEDGMENT**

I/We have read the above statement and acknowledge receiving a copy by signing and dating below.

\_\_\_\_\_  
Signature Date  
**Johnny Go Lightly**

\_\_\_\_\_  
Signature Date  
**Tread Lightly**

*[Sign Originals Only]*

**Final Bills Paid Affidavit and Waiver of Lien**

THE STATE OF TX

COUNTY OF Dallas

Owner: Johnny Go Lightly and Tread Lightly, husband and wife

Affiant: Custom Homes, LLC

Project Description/Location: LOT 1111, OF COUNTRY CLUB ESTATES, SECTION ELEVEN, A SUBDIVISION IN DALLAS COUNTY, TEXAS, ACCORDING TO THE MAP OR PLAT THEREOF RECORDED IN VOLUME 11, PAGE 11 OF THE PLAT RECORDS OF DALLAS COUNTY, TEXAS.

In order to induce the Owner to make final payment to Affiant for work performed on the above described project Affiant states, under oath, as follows:

**WAIVER AND RELEASE**

- 1. Affiant acknowledges and certifies that it has been or will be paid in full from the proceeds of the final payment for all labor and materials provided for the above-noted construction project.
2. Affiant, and all of his or its agents, employees, successors, assigns, subsidiaries, and representatives, will and do hereby waive and release all Mechanic's, materialmen, or subcontractors liens, or similar lien rights, which have or might arise as a result of the Affiant's or Affiant's agents' or employees' providing labor and material to the above-noted project.

**ALL BILLS PAID**

- 3. Affiant warrants, represents, and certifies that it has paid or will pay in full from the proceeds of the final payment all laborers, subcontractors, materialman, and all other persons or parties who have provided labor or materials through, for, or on behalf of the Affiant for the above-noted construction project, and Affiant is not aware of any claim for payment or lien by such person or party who has furnished Work on the project through or under Affiant, except as follows. Affiant further acknowledges that any parties listed below will be paid in full from the proceeds of the final payment.

NAME, ADDRESS, AND

TELEPHONE NUMBER OF PARTIES NOT PAID

AMOUNT OWED

Four horizontal lines for entering party information and amounts owed.

4. Affiant indemnifies and holds **Johnny Go Lightly and Tread Lightly, husband and wife** harmless from any liens, debts or obligation that might arise as a result of labor or materials provided by or through Affiant to the project. Affiant further indemnifies and holds harmless all real property on which the improvements were constructed and all interests in and to the property, including leasehold interests, from any liens, debts, or obligations arising from any labor and/or materials provided by or through Affiant to the project.

**Custom Homes, LLC, a Texas limited liability company**

\_\_\_\_\_  
Signature Date  
**Joe Smith, Managing Member**

SUBSCRIBED AND SWORN TO BEFORE ME on the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ by **Joe Smith, Managing Member of Custom Homes, LLC, on behalf of said limited liability company.**

\_\_\_\_\_  
Notary Public  
Printed Name of Notary: \_\_\_\_\_  
My Commission Expires: \_\_\_\_\_

RETURN TO:

**ABC Bank  
2310 W Interstate 20, 100  
Arlington, TX 76017  
Ambra Costner**

Lender: **ABC Bank**  
Borrower: **Johnny Go Lightly and Tread Lightly, husband and wife**  
Property: **123 Sunset Drive, Dallas, Texas 75205**

## Insurance Agreement

**Loan # 1111**

In reference to the above-described loan transaction, a Builder's Risk Insurance Binder is to be submitted with this closing package, and the undersigned agrees to furnish said Insurance Policy to Lender prior to the first construction draw.

\_\_\_\_\_  
Signature Date  
**Johnny Go Lightly**

\_\_\_\_\_  
Signature Date  
**Tread Lightly**

*[Sign Originals Only]*



Lender: **ABC Bank**  
Borrower: **Johnny Go Lightly and Tread Lightly, husband and wife**  
Property: **123 Sunset Drive, Dallas, Texas 75205**

## **Certification and Authorization To Release Information**

**Loan # 1111**

Words used in this Certification and Authorization are defined below. Words in the singular mean and include the plural and vice versa.

“Borrower” is **Johnny Go Lightly and Tread Lightly, husband and wife**.

“Lender” is **ABC Bank**, and its successors, assigns or agents.

Borrower certifies the follows:

1. Borrower has applied for a mortgage loan from Lender. In applying for the loan, Borrower completed a loan application containing information on the purpose of the loan, the amount and source of the down payment, employment and income verification, and assets and liabilities. Borrower certifies that all of the information is true and complete. Borrower made no misrepresentations in the loan application or other documents, nor did Borrower omit any pertinent information.
2. Borrower understands and agrees that in the event the loan is processed under a reduced documentation program, Lender reserves the right to change the mortgage loan review process to a full documentation program. This may include verifying the information provided on the application with Borrower’s employer and/or a financial institution.
3. Borrower fully understands that it is a federal crime punishable by fine, or imprisonment, or both to knowingly make any false statements when applying for this mortgage, as applicable under the provisions of Title 18, United States Code, Section 1014.

To Whom It May Concern:

1. Borrower has applied for a mortgage loan from Lender. As part of the application process, Lender may verify information contained in Borrower’s loan application and in other documents required in connection with the loan, either before the loan is closed or as part of its quality control program.
2. Borrower authorizes you to provide to Lender any and all information and documentation that it requests. Such information includes, but is not limited to, employment history and income; bank, money market, and similar account balances; credit history; and copies of income tax returns.
3. Lender may address this authorization to any party named in the loan application.
4. A copy of this authorization may be accepted as an original.
5. Your prompt reply to Lender its successors, assigns or agents is appreciated.

---

**Certification and Authorization to Release Information**

**NOTICE TO BORROWERS:** This notice to you as required by the Right to Financial Privacy Act of 1978 that HUD/FHA has a right to access to financial records held by financial institutions in connection with the consideration or administration of assistance to you. Financial records involving your transaction will be available to HUD/FHA without further notice or authorization but will not be disclosed or released by this institution to another Government Agency or Department without your consent except as required or permitted by law.

---

Signature

Date

**Johnny Go Lightly**

---

Signature

Date

**Tread Lightly**

*[Sign Originals Only]*

---

**Certification and Authorization to Release Information**

## **Construction Loan Rider to Security Instrument (with Security Agreement)**

THIS CONSTRUCTION LOAN RIDER TO SECURITY INSTRUMENT (WITH SECURITY AGREEMENT) is made this **Eleventh** day of **October, 2012**, and is incorporated into and shall be deemed to amend and supplement the Mortgage, Deed of Trust, or Security Deed (the "Security Instrument") of the same date given by the undersigned (the "Borrower") to secure Borrower's Note (the "Note") to **ABC Bank** (the "Lender") of the same date and covering the property described in the Security Instrument ("the "Property") and located at:

**123 Sunset Drive  
Dallas, Texas 75205  
(Property Address)**

### **ADDITIONAL COVENANTS**

In addition to the covenants and agreements made in the Security Instrument, Borrower and Lender further covenant and agree as follows:

**A. INCORPORATION OF RESIDENTIAL CONSTRUCTION LOAN AGREEMENT**

Lender and Borrower entered into a Residential Construction Loan Agreement (the "Agreement") this same date. The Agreement is incorporated herein by reference. Default under the terms of the Agreement shall be a default under the terms of the Security Instrument, which default entitles Lender to accelerate the maturity of the Note and to exercise all available remedies.

**B. CONSTRUCTION MORTGAGE**

The Security Instrument is a "Construction Mortgage", securing the obligation for the cost of construction of certain improvements on the Property. It is understood and agreed that funds to be advanced upon the Note are to be used in the construction of certain improvements on the Property in accordance with the Agreement.

**C. FUTURE ADVANCES**

The Security Instrument is given wholly or partly to secure future obligations that may be incurred under the Note. The face amount of obligations evidenced by the Note and secured hereunder is **\$223,200.00**, and the maximum amount, including present as well as future advances evidenced by the Note, that Lender shall be obligated to advance at any one time shall not exceed the face amount of the Note; provided, however, the said maximum amount may be increased by such additional amounts as may be advanced by Lender pursuant to the Security Instrument, and all such additional amounts shall be deemed necessary expenditures for the protection of the security in accordance with and to the extent allowed by **Texas** law. Future advances evidenced by the Note shall be made as provided in the Agreement. Borrower and Lender have not contracted to require written notation or evidence of each future advance to be made under the Note.

**D. WAIVER OF CERTAIN NOTICES DURING CONSTRUCTION**

---

Construction Loan Rider to Security Instrument (with Security Agreement)

Notwithstanding the 30 day written notice and right to cure provisions contained in Paragraph 21 of the Security Instrument, prior to the Modification Date (or agreed written extension thereof), as such term is defined in the Note, Borrower, as well as all sureties, guarantors, and endorsers of said Note severally waive all notices, demands, presentments for payment, notices of non-payment, notices of intention to accelerate the maturity, notices of acceleration, notices of dishonor, protest and notice of protest, diligence in collecting or bringing suit as to the Note and as to each, every, and all installments thereof and all obligations thereunder and against any party thereto and to the application of any payment on said obligation, or as an offset thereto, and agree to all extensions, renewals, partial payments, substitutions, or evidence of indebtedness and the taking, release, or substitution of all or any part of the herein described security or the release of any party liable thereon with or without notice before or after maturity.

Prior to the Modification Date, it is expressly provided that upon default in the punctual payment of the Note or any part or installment thereof, principal or interest, as the same shall become due and payable, or in the performance of any warranty, covenant, or agreement, or other default under the terms of the Security Instrument of even date given as security for the payment thereof, or under any other instrument granted to secure payment thereof or executed in connection therewith, Lender may declare the then unpaid principal balance and accrued interest thereon immediately due and payable without notice; failure to accelerate the Note in the event of default shall not constitute a waiver on the part of Lender of the right to exercise the same at any other time. Borrower hereby expressly represents and warrants unto Lender that prior to the Modification Date (or agreed written extension thereof), the herein described Property prior to such Modification Date shall not constitute Borrower's Residence.

**E. SECURITY AGREEMENT**

Without limiting any of the provisions of the Security Instrument, Borrower, as Debtor (and being referred to in this Paragraph as "Debtor", whether one or more), expressly GRANTS unto Lender, as Secured Party, (and being referred to in this Paragraph as "Secured Party", whether one or more), a security interest in the following described property (including both those now and those hereafter existing) (collectively, "Collateral") to the full extent that such properties may be subject to the Uniform Commercial Code - Secured Transactions (hereinafter called "Uniform Commercial Code"):

- (1) To the extent owned by Debtor, Debtor's successors and assigns, and acquired with the proceeds of the loan secured by the Security Instrument, all fixtures, goods, furnishings, equipment, building material, machinery, and personal property now or hereafter located in, on, or used or intended to be used in connection with the Property, including without limitation: doors, partitions; window and floor coverings; apparatus, material, or equipment for supplying, holding, or distributing heating, cooling, electricity, gas, water, air, and lighting; security, access control, and fire prevention and extinguishing apparatus, material, or equipment; household appliances; bathroom and kitchen fixtures; cabinetry; and landscaping (collectively, "Fixtures and Personal Property").
- (2) All proceeds or sums payable in lieu of or as compensation for the loss of or damage to the Property and the Fixtures and Personal Property, and all rights in and to all present and future fire and hazard insurance policies.
- (3) All proceeds of any award or claim for damages, direct or consequential, in connection with any

---

Construction Loan Rider to Security Instrument (with Security Agreement)

condemnation or other taking, in whole or in part, of the Property, or for conveyance in lieu thereof.

(4) All of Debtor's interest and rights, as lessor, in and to all leases now or hereafter affecting the Property, and all rental income payable thereunder or otherwise.

(5) All bonds, deposits, letters of credit, and any other sums at any time credited by or due from Secured Party to Debtor or any guarantor, co-maker, or surety of Debtor, and held by Secured Party.

(6) Any replacements, additions, or betterments to, or proceeds of, the Collateral described herein above, the sale or distribution of which is not authorized hereby.

In this regard, Debtor and Secured Party further covenant and agree as follows:

1. In addition to any other remedies granted in the Security Instrument to Secured Party or Trustee, Secured Party may in event of default proceed under the Uniform Commercial Code as to all or any part of the Collateral, and shall have and may exercise with respect to the Collateral all the rights, remedies, and powers of a secured party under the Uniform Commercial Code, including without limitation the right and power to sell at public or private sale or sales or otherwise dispose of, lease, or utilize the Collateral, or any part or parts thereof, in any manner authorized or permitted under the Uniform Commercial Code after default by a debtor and to apply the proceeds thereof toward payment of any costs, expenses, reasonable attorneys' fees, and legal expenses thereby incurred by Secured Party and toward payment of indebtedness described in the Security Instrument in such order or manner as Secured Party may elect.

2. Among the rights of Secured Party in the event of default and without limitation, Secured Party shall have the right to take possession of the Collateral and to enter upon any premises upon which the Collateral may be situated for such purpose without being deemed guilty of trespass and without liability for damages thereby occasioned and to take any action deemed necessary, appropriate, or desirable by Secured Party, at its option and in its sole discretion, to repair, refurbish, or otherwise prepare the Collateral for sale, lease, or other use or disposition as herein authorized.

3. To the extent permitted by law, Debtor expressly waives any notice of sale or other disposition of the Collateral and any other rights or remedies of a debtor or formalities prescribed by law relative to sale or disposition of the Collateral or exercise of any other right or remedy of Secured Party existing after default hereunder; and to the extent any such notice is required and cannot be waived, Debtor agrees that if such is mailed, postage prepaid, to Debtor at the address shown herein at least ten (10) days before the time of the sale or disposition, such notice shall be deemed reasonable and shall fully satisfy any requirement for giving of such notice.

4. After default, Secured Party is expressly granted the right, at its option, to transfer, at any time to itself or to its nominee, the Collateral or any part thereof and to receive the monies, income, proceeds, or benefits attributable or accruing thereto and to hold the same as security for amounts owing on any of the indebtedness, or to apply it to the principal and interest or other amounts owing on any of the indebtedness, whether or not then due, in such manner as Secured Party may elect. All rights to

marshalling of assets of Debtor, including any such right with respect to the Collateral, are hereby waived.

5. All recitals in any instrument of assignment or any other instrument executed by Secured Party or by Trustee incident to sale, transfer, assignment, lease, or other disposition or utilization of the Collateral or any part thereof hereunder shall be requisite to establish full legal propriety of the sale or other action or any fact, condition, or thing incidental thereto, and all prerequisites of such sale or other action and of any fact, condition, or thing incident thereto shall be presumed conclusively to have been performed or to have occurred.

6. Secured Party may required Debtor to assemble the Collateral and make it available to Secured Party at a place to be designated by Secured Party that is reasonably convenient to both parties. All expenses of retaking, holding, preparing for sale, lease, or other use or disposition, selling, leasing, or otherwise using or disposing of the Collateral and the like hereunder, including also all reasonable attorneys' fees, legal expenses, and costs, shall be added to the indebtedness secured by the Security Instrument and Debtor shall be liable therefor.

7. Certain of the Collateral is or will become "fixtures" (as that term is defined in the Uniform Commercial Code) on the Property, and the Security Instrument upon being filed for record in the real estate records shall operate also as a financing statement upon such of the Collateral that is or may become fixtures.

8. A copy of this Security Instrument, which is signed by Debtor, may also serve as a financing statement under the Uniform Commercial Code between Debtor and Secured Party, whose addresses are set forth herein.

9. So long as any amount remains unpaid on any indebtedness secured by the Security Instrument, Debtor shall not execute and there shall not be filed in any public office any financing statement or statements affecting the Collateral other than financing statements in favor of Secured Party hereunder, unless the prior written specific consent and approval of Secured Party shall have first been obtained.

10. Secured Party is authorized to file, in jurisdictions where this authorization will be given effect, a financing statement signed only by Secured Party covering the Collateral and, at the request of Secured Party, Debtor shall join Secured Party in executing one or more financing statements pursuant to the Uniform Commercial Code in form satisfactory to Secured Party and shall pay the cost of filing the same or filing or recording the Security Instrument as a financing statement in all public offices at anytime and from time to time whenever filing or recording of any financing statement or the Security Instrument is deemed by Secured Party to be necessary or desirable. Any carbon, photographic, or other reproductions of this document may be filed by Secured Party and shall be sufficient as a financing statement.

11. Debtor further warrants and represents to Secured Party that, except for the security interest granted hereby in the Collateral, Debtor is the owner and holder of the Collateral, free of any adverse claim, security interest, or encumbrance, and Debtor agrees to defend the Collateral against all claims and demands of any person at any time claiming the same or any interest therein, except rights of tenants

to use thereof and subject to the other matters set forth herein, Debtor further warrants and represents that Debtor has not heretofore signed any financing statements in connection with the Collateral and that there are no financing statements signed by Debtor now on file in any public office.

**F. TERMINATION OF CONSTRUCTION LOAN RIDER**

This Rider shall terminate on the Modification Date as defined in the Note, and shall thereafter be null and void and of no further force or effect.

**“IMPORTANT NOTICE: You and your Contractor are responsible for meeting the terms and conditions of the Contract for Improvements (the “Contract”). If you sign the Contract and you fail to meet the terms and conditions of the Contract, you may lose your legal ownership in your home. KNOW YOUR RIGHTS AND DUTIES UNDER THE LAW.”**

**By signing below, Borrower accepts and agrees to the terms and covenants contained in this Construction Loan Rider to Security Instrument (with Security Agreement).**

\_\_\_\_\_  
Signature  
**Johnny Go Lightly**  
Mailing address:  
123 Sunset Drive  
Dallas, TX 75205

Date

\_\_\_\_\_  
Signature  
**Tread Lightly**  
Mailing address:  
123 Sunset Drive  
Dallas, TX 75205

Date

*[Sign Originals Only]*

---

Construction Loan Rider to Security Instrument (with Security Agreement)

Lender: **ABC Bank**  
Borrower: **Johnny Go Lightly and Tread Lightly, husband and wife**  
Property: **123 Sunset Drive, Dallas, Texas 75205**

## **Error and Omissions / Compliance Agreement**

**Loan # 1111**

The undersigned borrower(s) for and in consideration of the above-referenced Lender this date funding the closing of this loan agrees, if requested by Lender or Closing Agent for Lender, to fully cooperate and adjust for clerical errors, any or all loan closing document if deemed necessary or desirable in the reasonable discretion of Lender to enable Lender to sell, convey, seek guaranty or market said loan to any entity, including but not limited to an investor, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, Federal Housing Authority, Department of Veterans Affairs or the Federal Agricultural Mortgage Corporation (FAMC).

The undersigned borrower(s) do hereby so agree and covenant in order to assure that this loan documentation executed this date will conform and be acceptable in the marketplace in the instance of transfer, sale or conveyance by Lender of its interest in and to said loan documentation.

DATED effective this **Eleventh** day of **October, 2012**.

\_\_\_\_\_  
Signature Date  
**Johnny Go Lightly**

\_\_\_\_\_  
Signature Date  
**Tread Lightly**

*[Sign Originals Only]*

STATE OF TEXAS  
COUNTY OF \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ by **Johnny Go Lightly and Tread Lightly**.

\_\_\_\_\_  
Notary Public  
Printed Name: \_\_\_\_\_  
My commission expires: \_\_\_\_\_



Settlement Agent:

Please complete Social Security Number(s) on each W-9 attached.

Thank you.

# SERVICING DISCLOSURE STATEMENT

Loan # 1111

Date: 10/11/2012

Applicant(s): Johnny Go Lightly and Tread Lightly

Lender: ABC Bank

2310 W Interstate 20, 100

Arlington, TX 76017

Property: 123 Sunset Drive, Dallas, TX 75205

## NOTICE TO FIRST LIEN MORTGAGE LOAN APPLICANTS: THE RIGHT TO COLLECT YOUR MORTGAGE LOAN PAYMENTS MAY BE TRANSFERRED.

You are applying for a mortgage loan covered by the Real Estate Settlement Procedures Act (RESPA) (12 U.S.C. Section 2601 et seq.) RESPA gives you certain rights under Federal law. This statement describes whether the servicing for this loan may be transferred to a different loan servicer. "Servicing" refers to collecting your principal, interest, and escrow payments, if any, as well as sending any monthly or annual statements, tracking account balances, and handling other aspects of your loan. You will be given advance notice before a transfer occurs.

## SERVICING TRANSFER INFORMATION

The following is the best estimate of what will happen to the servicing of your mortgage loan:

- A.  We may assign, sell or transfer the servicing of your loan while the loan is outstanding.
- OR**
- B.  We do not service mortgage loans of the type for which you applied. We intend to assign, sell, or transfer the servicing of your mortgage loan before the first payment is due.
- OR**
- C.  The loan for which you have applied will be serviced at this financial institution and we do not intend to sell, transfer, or assign the servicing of the loan.

## ACKNOWLEDGMENT OF RECEIPT

I hereby acknowledge receipt of this Servicing Disclosure Statement and further acknowledge that I understand its provisions. Words used in this Servicing Disclosure Statement mean and include the plural and vice versa.

Signature

Date

Johnny Go Lightly

Signature

Date

Tread Lightly

**LAST PAGE  
OF THE PACKAGE**