

Lender: **Heritage Rock Mortgage**
Borrower: **John Doe, a single person**
Property: **42 East Bay Boulevard, Ashland, Kentucky 41101**
Order Number: **20070613002**

PeirsonPatterson, LLP
Loan Transmittal Memorandum

www.ppdocs.com

This loan package was prepared by: **Sandy Hambright**

Comments:

Conventional Purchase - Sample Package. Thank you!

After recording please return to:

Heritage Rock Mortgage
1212 Sunnydale Drive
Arlington, TX 76017

This instrument was prepared by:

Michael H. Patterson
2310 Interstate 20 West, Suite 100
Arlington, TX
76017-1668
and Co-Counsel



Mary McKee, Esq.
800 East High Street, Ste. B
Lexington, KY 40502

----- [Space Above This Line For Recording] -----

ASSIGNMENT OF MORTGAGE

Loan # 7070665

For Value Received, the undersigned holder of a Mortgage (herein "Assignor") whose address is **1212 Sunnydale Drive, Arlington, TX 76017**, does hereby grant, sell, assign, transfer and convey, unto **ABC Investor**, (herein "Assignee"), whose address is **2222 Dallas Street, Suite 400, Connerville, IN 47331**, all beneficial interest under a certain Mortgage dated **July 22, 2007**, made and executed by **John Doe, a single person**, to and in favor of **Heritage Rock Mortgage**, upon the following described property situated in **Boyd County, State of Kentucky**:

Lot 9, Block 5, East Bay Addition, an Addition located in the City of Ashland, Boyd County, Kentucky, according to the map recorded in Volume 22, Page 325, of the Map Records of Boyd County, Kentucky.

such Mortgage having been given to secure payment of **\$200,000.00**, which Mortgage
(Original Amount of Principal)

is of record in the Real Property Records of **Boyd County, State of Kentucky**, together with the note(s) and obligations therein described, the money due and to become due thereon with interest, and all rights accrued or to accrue under such Mortgage.

TO HAVE AND TO HOLD the same unto Assignee, its successor and assigns, forever, subject only to the terms and conditions of the above-described Mortgage.

IN WITNESS WHEREOF, the undersigned Assignor has executed this Assignment of Mortgage on _____, 2_____.

Heritage Rock Mortgage, a Texas national bank

Signature Date
Jill Tucker, Vice President

Witness

STATE OF KENTUCKY
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 20____ by **Jill Tucker, Vice President of Heritage Rock Mortgage, on behalf of said national bank**

Notary Public
Printed Name: _____
My commission expires: _____

Attorney Invoice
PeirsonPatterson, LLP

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

Invoice To: Summer Closer
 Your Title Company
 12428 Memorial Drive
 Ashland, KY 41101
 Phone: (713) 973-9700 Fax: (713) 973-9512
 GF Number: 555555

| Date | Order # | Description | Amount |
|-----------|-------------|--|----------|
| 6/19/2007 | 20070613002 | For professional services in connection with the preparation of real estate documents. | \$240.00 |

Lender:
 Heritage Rock Mortgage
 1212 Sunnydale Drive
 Arlington, TX 76017
 Phone: (817) 375-2638 Fax: (817) 375-2639
 Closer: Sam Jones
 Loan # 7070665

Property:
 42 East Bay Boulevard
 Ashland, KY 41101

Borrower(s):
 John Doe

Seller(s):
 Jay Seller

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

Please make your check payable to PeirsonPatterson, LLP and remit payment to address above within three (3) days following the closing. If this transaction is cancelled, please notify this office immediately. The Fee on this invoice must be separately itemized on the HUD1 or HUD1A settlement statement and shown as a fee to PeirsonPatterson LLP and co-counsel The Mullins Group, LLC. PeirsonPatterson, LLP will be responsible for making disbursement to The Mullins Group, LLC.

**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:
Your Title Company
12428 Memorial Drive
Ashland, KY 41101
 Attn: **Summer Closer**
 Phone No.: **(713) 973-9700**
 Fax No.: **(713) 973-9512**
 Email: **scloser@yourtitleco.com**

From Lender:
Heritage Rock Mortgage
1212 Sunnydale Drive
Arlington, TX 76017
 Attn: **Sam Jones**
 Phone No.: **(817) 375-2638**
 Fax No.: **(817) 375-2639**
 Email: **sjones@heritagerockmortgage.com**

Supplemental Closing Instructions

SECTION I. LOAN INFORMATION

| | | |
|--|------------------------|--------------------------|
| Borrower(s): John Doe | Loan # | 7070665 |
| Seller(s): Jay Seller | GF No: | 555555 |
| Property Address: | Order Number: | 20070613002 |
| 42 East Bay Boulevard, Ashland, KY 41101 | Invoice Number: | 7-06-0872 |
| Sales Price: \$250,000.00 | Initial Interest Rate: | 6.500% |
| Down Payment: \$50,000.00 | Term of Loan: | 360 month(s) |
| Loan Amount: \$200,000.00 | Closing Date: | July 22, 2007 |
| Initial Payment: \$1,264.14 | Document Exp. Date: | |
| Loan Type: First Lien-Conventional-Purchase | First Payment Date: | September 1, 2007 |
| | Final Payment Date: | August 1, 2037 |

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:

| HUD Line # / Description | Paid To | Borrower (\$) | Seller (S) | Others (S) |
|--|---|---------------|------------|------------|
| 801 Loan Origination Fee | Heritage Rock Mortgage | 250.00 | | |
| 803 Appraisal Fee | H&R Appraisers | 275.00 | | |
| 808 Tax Service Fee | | 97.00 | | |
| 812 Courier Fee | | 50.00 | | |
| 901 Prepaid Interest for 10 days (35.6164 per day) | Heritage Rock Mortgage | 356.16 | | |
| 1001 Hazard Insurance | 3 mo. @ \$100.00 per month | 300.00 | | |
| 1007 All Property Taxes | 10 mo. @ \$358.33 per month | 3,583.30 | | |
| 1008 Aggregate Escrow Adjustment | | (499.96) | | |
| 1107 Attorney's Fee | PeirsonPatterson, LLP / Mary McKee, Esq. - Co-Counsel | 240.00 | | |
| 1303 Title Escrow Fee | Your Title Company | 200.00 | | |
| 1304 Title Courier Fee/Fed Ex Fee | Your Title Company | 40.00 | | |

B. Per Diem Interest and Escrows: Per Diem Interest is **\$35.62** per day. Collect per diem interest from the date of funding (including date of funding) but not including the first day of next month. Collect from **Borrower(s)** and remit by separate check to Lender.

Supplemental Closing Instructions

Aggregate Analysis. Borrower must sign enclosed initial escrow account disclosure statement. Collect and illustrate escrows on HUD-1 according to the top half of the enclosed GFE/HUD-1 Aggregate Escrow Entry Sheet. Do not close if "Payments From Escrow Account" is not accurate.

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.

- **PeirsonPatterson, LLP / Mary McKee, Esq. - Co-Counsel: \$240.00 Attorney's Fee.**

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. 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

ASG: Assignment of Mortgage (KY) Lender to 1st Investor File of record immediately after Security Instrument (Mortgage / Deed of Trust). Original to Lender after recording.

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.

Aggregate Escrow Account Entry Use these calculations to establish the initial escrow account.

Initial Escrow Disclosure Borrower(s) must sign. Return Original to Lender. Give Borrower(s) one (1) copy.

Master Closing Instructions (Multistate) 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 two (2) certified copies 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).

Fixed Rate Note FNMA/FHLMC 3200 Borrower(s) must sign original and initial each page. Return original and three (3) certified copies to Lender. Give Borrower(s) one (1) copy.

Kentucky Mortgage-Single Family-FNMA/FHLMC Uniform Instrument The indicated Borrower(s) must sign original Security Instrument (Mortgage / Deed of Trust) and initial each page. Obtain acknowledgements and file original. After recording return original and three (3) certified copies to Lender. Give Borrower(s) one (1) copy.

1st Payment Letter & Mailing Add Cert/Coupons Borrower(s) must sign. Return Original to Lender. Give Borrower(s) one (1) copy.

Borrower(s) Acknowledgement of Receipt of Disclosures Borrower(s) must acknowledge disclosures indicated therein. Return Original to Lender. Give Borrower(s) one (1) copy.

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

Borrower(s)' Acceptance of Property Condition Borrower(s) must sign. Return Original to Lender. Give Borrower(s) one (1) copy.

Supplemental Closing Instructions

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

Disclosure of Right to Receive a Copy of an Appraisal 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.

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

Future Flood Insurance Authorization Borrower(s) must sign. Return Original to Lender. Give Borrower(s) one (1) copy.

Hazard Insurance Information Settlement Agent must complete. Return Original to Lender.

Name Affidavit - Borrower 1 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.

Notice of Assign, Sale or Transfer of Servicing Rights Borrower(s) must sign. Return Original to Lender. Give Borrower(s) one (1) copy.

Notice of No Oral Agreements Borrower(s) must sign. Return Original to Lender. Give Borrower(s) one (1) copy.

Occupancy Affidavit - Multistate 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.

Property Tax Information Settlement Agent must complete. Return Original to Lender.

Form 4506-T Request for Transcript LINES 1b, 6 - 9 MUST BE COMPLETED. LINE 4 SHOULD BE COMPLETED, if applicable. Borrower(s) to complete, fully execute and return original to Lender.

Status Certification 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.

Survey and Title Exception(s) Receipt with Specific Hold Harmless Borrower(s) must sign and date survey and attach to Survey and Title Exceptions Receipt which must be signed by the Settlement Agent. Return Original to Lender. Give Borrower(s) one (1) copy.

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

SECTION IV. ADDITIONAL REQUIREMENTS

Title Policy / Interim Binder Requirements.

* **Mortgagee's Clause in Title Policy must read: "(Lender's name as appearing in the Note), and/or (the Secretary of Housing and Urban Development) (the Administrator of Veteran's Affairs) (the Veteran Land Board), their respective successors and assigns, as their interest may appear" depending on the type of loan as indicated in the Master Closing Instructions. Provide most current version of ALTA Mortgage Policy (1992 or later). The 1990 ALTA Policy is not acceptable.**

* **Provide appropriate ALTA endorsements to Mortgagee's Title Policy at 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: Borrower(s) name(s) to read exactly as Legal Documents are drawn.

Schedule B: Reflect Survey and Tax deletions. Guarantee all taxes are paid current.

Schedule C: Clear ALL Items.

Provide all applicable Endorsements @ Borrower's expense.

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

STRICTLY ADHERE TO THE MASTER CLOSING INSTRUCTIONS.

Hazard Insurance. Obtain a one year paid comprehensive Kentucky HO-B - homeowner's insurance policy with paid receipt or if unavailable at time of submission to Lender, complete and return Original Hazard Insurance Certification of payment by Settlement Agent. Any binder must meet requirements (1)-(4) of Section 2, subsection (e) of Article 21.48 A of the Texas Insurance Code. The policy should have a minimum

deductible and be in an amount not less than the loan amount. The policy must be A + V Class or better in the Best Key Rating Guide. "Its Successors and/or Assigns" should follow the Lender's name in the mortgagee clause of the policy.

Borrower's HUD-I Settlement Statement. 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.

Seller's HUD-I Settlement Statement. Three (3) certified copies. Reflect Seller(s) new address.

One (1) Certified Copy of Restrictions and/or Easements. of record is required.

Loan Application. Borrower(s) must sign. Return Original to Lender. Give Borrower(s) one (1) 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.**
- **According to information provided to Lender, settlement agent will charge Borrower(s) an escrow fee of \$200.00 and a wire/courier/Fed-X fee (to meet Lender's requirements) of \$40.00. 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 according to Federal regulations effective 10/1/98.**
- **Title Company to prepare and fax a copy of the Warranty Deed to PeirsonPatterson, LLP @ (817) 856-6060 for approval prior to closing. RE: #20070613002 - John Doe.**

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.

- **Authority to deposit any check/draft and to disburse is contingent upon approval from Lender.**

The undersigned as authorized agent for Settlement Agent hereby states that all the terms and conditions contained in these Supplemental Closing Instructions, the Commitment for Title Insurance issued for this loan and the Master

Supplemental Closing Instructions

Closing Instructions (if applicable) which are incorporated herein by reference have or will be complied with prior to the request for loan funding, unless otherwise authorized herein.

Your Title Company

By: _____

Settlement Agent Signature

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

Calculation of Aggregate Escrow Adjustment

Disclosure Date: 07/22/2007

| | |
|--|---|
| BORROWER(S) NAME AND ADDRESS John Doe 42 East Bay Boulevard Ashland KY 41101 | LENDER / SERVICER NAME AND ADDRESS ABC Investor 2222 Dallas Street, Suite 400 Connersville IN 47331 Phone Number: (832) 375-2638 |
| Loan # 7070665 | MORTGAGE INSURANCE / CASE NUMBER |

HUD-1 Reserve Account Entries

Based on information available to preparer, the following can be used for computing HUD-1 Settlement Statement.

| HUD ACCOUNT | ACCOUNT DESCRIPTION | RESERVE MONTHS | AMOUNT PER MONTH | TOTAL RESERVE |
|-------------|------------------------|----------------|------------------|---------------|
| 1001 | Hazard Insurance | 3 | 100.00 | 300.00 |
| 1007 | All Property Taxes | 10 | 358.33 | 3,583.30 |
| 1008 | Agg Reserve Adjustment | | | (499.96) |
| | Total Escrow Required | | | 3,383.34 |
| | | | | |
| | | | | |
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| | | | | |

Initial Escrow Account Disclosure

| MONTH | PAYMENTS TO ESCROW ACCT. | PAYMENTS FROM ESCROW ACCT. | DESCRIPTION | ESCROW ACCT. BALANCE |
|---|--------------------------|----------------------------|-----------------------------|-----------------------------------|
| Escrow Computation Year Beginning Balance: | | | | 3,383.34 |
| Sep 2007 | 458.33 | 0.00 | | 3,841.67 |
| Oct 2007 | 458.33 | 0.00 | | 4,300.00 |
| Nov 2007 | 458.33 | 0.00 | | 4,758.33 |
| Dec 2007 | 458.33 | 4,300.00 | All Property Taxes | 916.66 |
| Jan 2008 | 458.33 | 0.00 | | 1,374.99 |
| Feb 2008 | 458.33 | 0.00 | | 1,833.32 |
| Mar 2008 | 458.33 | 0.00 | | 2,291.65 |
| Apr 2008 | 458.33 | 0.00 | | 2,749.98 |
| May 2008 | 458.33 | 0.00 | | 3,208.31 |
| Jun 2008 | 458.33 | 0.00 | | 3,666.64 |
| Jul 2008 | 458.33 | 1,200.00 | Hazard Insurance | 2,924.97 |
| Aug 2008 | 458.33 | 0.00 | | 3,383.30 |
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| Escrow Cushion | For Mtg Insurance | 0 Mo. | monthly Payments | P&I Payment \$1,264.14 |
| | For Other Items | 2 Mo. | Beginning 09/01/2007 | Escrow Payment \$458.33 |
| | Cushion Amount | \$916.66 | | Other Payment \$0.00 |
| | | | | Total Payment \$1,722.47 |

MASTER CLOSING INSTRUCTIONS

Loan # 7070665

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.
2. **INSURED CLOSING.** An Insured Closing Protection Letter in the form authorized for use in your state must be issued in connection with the closing and settlement of any loan closing. All Issuing Agents and approved attorneys must 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. Prior to request for funding, you must have written authorization from Lender approving any deviation from the Master and/or 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 states in writing that an individual is acting pro forma or as a cosigner or guarantor.
 4. **COMMITMENT FOR TITLE INSURANCE AND POLICY.** Lender's loan documents have been prepared based upon the Title Commitment or Binder. The title policy must be written through the same company which issued the Commitment for Title Insurance ("Title Commitment") previously furnished to the Lender. If the Title Commitment or Binder does not comply with the following requirements, Settlement Agent must either (i) amend it, (ii) provide a new Title Commitment or Binder, or (iii) agree to provide Lender a subsequent Mortgagee Title Policy ("Title Policy") in accordance with the following requirements:
 - 4.1 The date of the Title Commitment or Binder may not be more than ninety (90) days before the

settlement date. If the Title Commitment or Binder has expired, do not close the loan, and contact the Lender immediately. The Title Commitment or Binder must have an authorized counter-signature by a validating officer or authorized signatory.

- 4.2 The Title Policy must insure a first and superior deed of trust, mortgage lien, or other specified security instrument and insure over all title exceptions that would jeopardize the marketability of title. Unless authorization is granted by Lender, the policy must be on the standard ALTA Loan Policy (Rev. 10-17-1992).
- 4.3 If, pursuant to the Lender's direction, the policy is written on a form other than the standard ALTA Loan Policy, the ALTA Short Form Residential Loan Policy should be used. In conjunction with the Master Policy, the coverage provided by the short-form policy must be at least as broad, providing at least the amount and scope of coverage given by the standard ALTA Loan Policy. In addition, by issuing a short-form policy, you acknowledge that the Lender may, in the future, request that a full, individual, standard ALTA Loan Policy be provided in its place.
- 4.4 The effective date of the policy coverage may be no earlier than the later of the date of the final disbursement of the loan proceeds or the date the Security instrument is recorded.
- 4.5 The "Proposed Insured" must read exactly as Lender's loan documents with the following additional phrase:

If a Conventional Loan: "Its successors and/or assigns as defined in Paragraph 1(a) of the Conditions and Stipulations of this policy."

If an FHA Loan: "And/Or the Secretary of Housing and Urban Development of Washington, D.C., their respective successors and assigns, as defined in Paragraph 1(a) of the Conditions and Stipulations of this policy."

If a VA Loan: "And/Or the Secretary of the Department of Veterans Affairs, an officer of the United States of America, their respective successors and assigns."
- 4.4 The amount of the coverage should at least equal the loan amount indicated in the Supplemental Closing Instructions. If the loan has potential capitalized interest or negative amortization, the coverage should equal the highest outstanding balance possible under the terms of the loan.
- 4.5 The "Proposed Borrower" must exactly match the Borrower's name(s) indicated in the loan documents.
- 4.6 The legal description in the Title Policy and loan documentation must conform to the survey, if a survey is available.
- 4.7 The "Estate Insured" must read FEE SIMPLE unless provided otherwise in the Supplemental Closing Instructions. The Mortgagee Title Insurance Policy 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 The policy cannot contain:

Master Closing Instructions (Multistate)

- (a) Any exception for taxes, assessments or other charges currently due and payable.
- (b) Any exception for mechanic's, materialman's, artisan's or similar liens.
- (c) General exceptions as to unrecorded easements or rights of way.
- (d) General exceptions as to matters of survey including unrecorded easements or rights of way.
- (e) Any exceptions to the dower, curtesy, homestead, community property or other statutory material rights, if any, of the spouse of any individual insured. In all cases where any rights of dower or curtesy may affect the taking of title to the property, the policy is to provide affirmative title insurance that the lien of our deed of trust, mortgage, or other security instrument has priority over any statutory rights of dower or curtesy. In those situations, the following language is to be included in the policy/binder: "This policy/binder insures, up to the face amount hereof, that the Insured shall incur no loss or damage as a result of the exercise or attempted exercise, of dower or curtesy rights."
- (f) **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.**

4.9 Any easement, encroachment, 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 or Binder, either (i) remove said item(s) from Title Commitment or Binder or (ii) have surveyor locate and identify said items on an amended survey and obtain Lender's approval of said location. A surveyor's letter is not sufficient in lieu of removing the exception.

4.10 **The Title Policy must be received by Lender no later than 30 days from date of closing.**

5. **TITLE POLICY EXCEPTIONS.** If the title policy will contain exceptions other than those listed below, contact the Closing Coordinator prior to closing of loan. In addition to the survey, it may be necessary for you to forward a copy of recorded documentation to determine whether a waiver will be required before closing and disbursement.

- (a) Taxes not yet due and payable.
- (b) Restrictions that are not violated and insurance that future violations will not cause a forfeiture or reversion of title.
- (c) Above-surface public utility easements along one or more of the property lines, provided the exercise of the rights thereunder do not interfere with any of the buildings or improvements located on the subject property.

Note: On FHA and conventional loans, if above-surface public utility easements

exceed ten (10) feet from any property line (twelve (12) feet on conventional loans), a waiver from FHA or conventional appraiser and PMI Company, if applicable, must be obtained prior to closing.

- (d) Customary public utility subsurface easements which are in place and do not extend under any buildings or other improvements on subject property.
- (e) Mutual easement agreements recorded in the public records which establish joint driveways, joint garages, party walls, water wells, septic systems, or other private utility systems constructed partly on the subject property and partly on adjoining property, provided the easement agreement allows all future owners, their heirs and assigns forever, unlimited use without restriction of these joint driveways, garages, party walls, wells and other systems. (A copy of **recorded agreements** must be forwarded with closing documents.)

Note: If survey reveals joint driveway, garage, water well, septic system or other private utility system, then such an agreement must be recorded.

- (f) Encroachments:
 - (i) On subject property by improvements on adjoining property where such encroachments do not exceed one (1) foot, do not touch any buildings and do not interfere with the use of any improvements on subject property.
 - (ii) On adjoining property by driveways belonging to subject property where such encroachments do not exceed one (1) foot, provided there exists a clearance of at least ten (10) feet between the buildings on the subject property and the property line affected by the encroachment.
 - (iii) On adjoining property by eaves and overhanging projections attached to improvements on subject property where such encroachments do not exceed one (1) foot provided there exists a clearance of at least ten (10) feet between the buildings on the subject property and the property line affected by the encroachment

VA Loans: This exception not acceptable unless written waiver obtained from VA **prior to closing**).

- (iv) On adjoining property by hedges and removable wooden or wire fences belonging to the subject property.
- (iv) By garages or improvements, other than those which are attached to or a portion of the main dwelling structure, over easements for public utilities, provided such encroachment does not interfere with the use of the easement or the exercise of the rights of repair and maintenance in connection therewith.

VA Loans: This exception not acceptable unless written waiver obtained from VA **prior to closing**).

5.1 If subject property is served by a private water and/or sewer system, Schedule “B” of the Title Policy must contain the following affirmative coverage: “With respect to the private utility system documents of public record, there are no provisions that could result in a superior lien on the subject property ahead of the insured mortgage, or that could create a lien that would take priority over the interest of the mortgagee acquired through a deed in lieu of foreclosure.” Prior to closing the loan, please confirm with the title company that it will provide the foregoing affirmative coverage prior to closing the loan. If you are unable to satisfy this requirement, notify Lender’s Closing Coordinator. **DO NOT** close the loan.

5.2 Standard ALTA endorsements as shown below **must be issued** as applicable.

| | | |
|------------------|-----------|--|
| ALTA Endorsement | Form 1 | Street Assessments |
| | Form 2 | Truth-in-Lending |
| | Form 3 | Zoning |
| | Form 3.1 | Zoning – Completed Structure |
| | Form 4 | Condominium |
| | Form 4.1 | Condominium |
| | Form 5 | Planned Unit Development |
| | Form 5.1 | Planned Unit Development |
| | Form 6 | Variable Rate Mortgage |
| | Form 6.1 | Variable Rate Mortgage – Regulations |
| | Form 6.2 | Variable Rate Mortgage – Negative Amortization |
| | Form 7 | Manufactured Housing Unit |
| | Form 8.1 | Environmental Protection |
| | Form 9 | Restrictions, Encroachments, Minerals |
| | Form 9.1 | Restrictions, Encroachments, Minerals – Owners Policy Unimproved Land |
| | Form 9.2 | Restrictions, Encroachments, Minerals – Owners Policy Improved Land |
| | Form 10 | Assignment |
| | Form 10.1 | Assignment and Date Down |
| | Form 11 | Mortgage Modification |
| | Form 12 | Aggregation |

State-specific endorsements must be issued where required.

An exception for rights of tenants in possession or rights of tenants under unrecorded or recorded leases is **unacceptable** except as follows:

- (a) Remaining term of lease is less than twelve (12) months and Title Policy so states.
- (b) The rights of tenants under unrecorded or recorded leases must be **fully subordinated** to Lender’s security instrument.
- (c) The title policy must **affirmatively insure the priority of our lien over the rights of tenants under leases** (the title company will require evidence of subordination for this coverage).

- (c) If leases are not already in existence, delay consummation thereof until after execution and recordation of the Security instrument.

The Settlement Agent **must** determine **prior** to loan closing that these requirements are met in order to prevent the Lender from entering into a transaction that will deprive the Lender of what has been bargained for, and render a loan unsalable. If the Settlement Agent is unable to comply with these requirements, notify Lender's Closing Department. **DO NOT** close the loan.

If the policy will contain an exception for oil, water, mineral or other subsurface rights, the policy must affirmatively insure that the exercise of such rights will not result in damage to the property or impairment of the use of the property for residential purposes. In addition, a certification as follows will be required from the Settlement Agent: "The known facts do not import exercise, or impending exercise, of such outstanding rights in such a manner as to materially alter the contour of the mortgaged property or impair its value or usefulness for its intended purposes, and generally that such outstanding rights are similar to those customarily acceptable to prudent lending institutions, informed buyers, and lending attorneys in the community."

- 5.3 The following language (or similar language having the same meaning) **must appear** in every binder and final policy:

"THIS POLICY/BINDER SPECIFICALLY GUARANTEES THAT ANY PAST, PRESENT OR FUTURE VIOLATION OF THE RESTRICTIONS, COVENANTS, BUILDING SETBACK LINES, EASEMENT AREAS, WIDENING STRIPS, PARTITION WALLS OR OTHER LIMITATIONS AND RESTRICTIONS WILL NOT WORK A FORFEITURE OR REVERSION OF THE TITLE OR RESULT IN A LIEN OR CHARGE SUPERIOR TO THE INTEREST OF THE MORTGAGEE TO BE INSURED HEREIN, AND THAT THE SAME HAVE NOT BEEN VIOLATED AS OF THE DATE OF THIS POLICY/BINDER."

- 6. **SURVEY REQUIREMENTS.** On all loans covering individual units and approved PUDs, three (3) original location surveys certified by a licensed surveyor will be required prior to issuing closing papers. The following survey requirements must be met:

- 6.1 Survey must be no more than 120 days old as of the date of closing.
- 6.2 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.
- 6.3 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.
- 6.4 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.
- 6.5 The Survey must show the name of the Borrower.

For Condominium Loans, a copy of the recorded map showing the location of the unit is required in lieu of a Survey.

7. **HAZARD INSURANCE REQUIREMENTS.** It is the responsibility of the Settlement Agent to determine that coverage, as specified, is in force **on or prior to** the date of closing. Original Homeowner's Policy or Statement of Coverage for amount indicated in Supplemental Closing Instructions is required with a paid receipt for first year's premium. Except when required by state law, **binders are unacceptable.** (Note: If the property is located in the state of New York, state law requires the acceptance of binders.) Minimum coverage is fire and extended coverage. The insuring company must have an Alfred M. Best rating of Class III or better and be acceptable to Lender. Maximum deductible is the greater of \$1,000.00 or 1.00% of the loan amount. Names of insured and address of property are to be identical to closing papers.
8. **PUDS.** In addition to the hazard insurance on the living unit required in the Supplemental Closing Instructions, the Settlement Agent must verify that we have received, prior to closing, evidence that the Owners Association has secured adequate coverage of hazard and liability on the common areas, and fidelity insurance on the Owners Association.

Condominiums: If a copy of the policies has not been received, a copy must be forwarded with the closing documents. Before closing the loan, the Settlement Agent must verify that the following coverage exists:

- (a) A "Master" or "Blanket" policy of property insurance equal to full replacement value of the condominium project affording coverage for loss or damage by fire and other hazards.
 - (b) A comprehensive policy of public liability insurance covering all of the common areas and commercial spaces in the condominium project.
 - (c) Adequate fidelity coverage on the Owners Association to protect against dishonest acts by its officers, directors, trustees, employees and all others who are responsible for handling funds of the Association.
 - (d) The insured must be the Owners Association of the condominium project, on behalf of the owners of the condominium unit and their mortgagees.
 - (e) The Lender requires that the Settlement Agent provide a Certificate of Insurance or Memorandum from the insurance carrier as to the unit in the condominium, and evidence the Lender is a named mortgagee.
9. **FLOOD INSURANCE.** Federal flood legislation specifies that lenders **must** require flood insurance on properties located in Special Flood Hazard Areas (A, V) once such areas have been identified and coverage is available through community participation in the program. **Compliance with this legislation is very important.** Please call the Closing Coordinator if you have any questions.

Where a survey is applicable, the Survey Requirements specify that surveyors are to furnish, either on or with the survey, a certification indicating whether or not the property is in a flood hazard area. **If flood insurance is not required in the Supplemental Closing Instructions and the Surveyor indicates property is in a flood hazard area, contact the Closing Coordinator for further instructions prior to closing.** Where flood insurance is required, names, address of property, and loss payable should be the same as in hazard insurance policy and closing documents. The following should be included with closing documents:

Master Closing Instructions (Multistate)

- (a) A copy of Application for Flood Insurance dated on or prior to the date of closing or original Flood Insurance Policy. (On condominium loans, a “blanket” policy of flood insurance in the name of the Owners Association and designated trustee must be provided with closing documents.)
- (b) Receipt indicating payment of first annual premium.
- (c) If original policy is not enclosed, certification by Flood Insurance Agent that original policy, when issued, will be forwarded.
- (d) Refinance cases (no transfer of title): If property is located in Special Flood Hazard Area and the property is not already covered, there will be a five-day waiting period from the date of application for insurance before coverage will be in effect. Loan closing should not occur until flood insurance is in effect.

10. **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.

11. **TERMITE INSPECTION REPORTS.** It is the Settlement Agent’s responsibility to send the Termite Report to the Closing Coordinator for review prior to closing the loan. Any infestation indicated on the report must be treated; any damage must be evaluated by a licensed building expert and all recommended repairs completed prior to closing. Requirements by VA and FHA will vary from state to state. On VA loans, the veteran must sign the report accepting and acknowledging receipt of the Termite Report. On

newly completed construction, Soil Treatment Guarantee is required of FHA, VA, and Conventional loans. The forms must be completed in detail and signed by the builder and applicator (exterminator). These forms may not be altered in any way. The originals must be forwarded to the Lender.

12. **HUD-1 SETTLEMENT STATEMENT.** Furnish three (3) certified copies of the HUD-1 Settlement Statement with original signatures by Borrower, Seller and Settlement Agent.

12.1 The HUD-1 or HUD-1A Settlement Statement forms 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. For a loan with no Seller, use the HUD-1A Settlement Statement form.

12.1.1 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 must 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.

12.3 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 \$ ____."

12.4 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.

12.5 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, contact the Closing Coordinator. 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.

12.6 The Settlement Agent responsible for closing the transaction must furnish a Form 1099 reporting the gross proceeds of the sale and any other necessary information to the appropriate Internal

Revenue Service Center. The Lender will not report the transaction for the Settlement Agent.

13. **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.
14. **ESCROW FOR COMPLETION.** No loan may close with funds escrowed for completion unless prior approval is 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.
15. **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 Closing Coordinator 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 filled in.

BORROWERS CANNOT PAY MAILING COSTS ON VA LOANS. THESE COSTS CANNOT APPEAR ON THE HUD-1 SETTLEMENT STATEMENT.

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

FHA Firm Commitment (FHA Form 92900-A): The mortgagors must read and sign both copies in the space provided under the Borrower's Certificate. Care should be taken to insure 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 commitment and other closing documents. No loan should close after the expiration date of commitment. Any contingencies included in the commitment must be complied with prior to closing. **Both copies of signed commitment must be returned with closing documents.**

NOTICE ON FHA LOANS: IF USING YOUR HUD-1 RATHER THAN THE ONE PREPARED AND 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

Master Closing Instructions (Multistate)

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.

17. **POWER OF ATTORNEY.** No loan should close through power of attorney unless prior written approval is obtained from the Lender, since some investors will not purchase loans closed on this basis. If your jurisdiction requires the acceptance of a power of attorney, contact the Closing Coordinator. If the use of power of attorney is approved, the following minimum requirements (plus any additional requirements necessary to satisfy investors, FHA and VA) must be met:

- (a) Title Policy must contain affirmative coverage as to the enforceability of the security instrument and the authority of the attorney-in-fact.
- (b) The power of attorney must be recorded prior to the recording of the security instrument and a copy of the recorded form must be forwarded with closing documents. (If a recorded copy is not available, a copy of the executed instrument and recorder's receipt will be acceptable.)
- (c) The power of attorney form should grant the authority to purchase, execute a note, and encumber real estate, naming the specific property. On a VA loan, if the veteran is granting authority, it must give the power to use the veteran's VA entitlement. It must be valid at closing.
- (d) The closing attorney must provide the Closing Coordinator with evidence that Borrower is alive as of date of closing. Example: On a VA loan, if veteran is in service, a letter from his commanding officer or telegram or letter from Borrower dated on or after closing date confirming veteran is alive.
- (e) All closing documents must be signed by the attorney-in-fact.
- (f) All requirements of state law concerning the form, execution, and acknowledgment of powers of attorney, must be complied with. For North Carolina loans, the power of attorney must be executed under seal.
- (g) In her or his own handwriting, the attorney-in-fact should sign the exact wording as printed below the signature line. See example below.

Please use the following language for signature lines and acknowledgment paragraphs for individuals using a power of attorney:

(When Jane Smith has power of attorney for John Doe)

John Doe, attorney-in-fact for Jane Smith

Master Closing Instructions (Multistate)

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

The Settlement Agent must make certain that the person acting as attorney-in-fact signs “John Doe, attorney-in-fact for Jane Smith.”

18. **EXECUTION OF DOCUMENTS.**

- 18.1 Settlement Agent must verify by pictorial identification the identity of all the parties (as more fully described in Section 1).
- 18.2 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.
- 18.3 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 applicable law.
- 18.4 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.

19. **MINORS.** If any or all of the parties to the loan are minors as defined by the laws of the state in which the subject property is located, the loan cannot close unless we have the closing attorney’s certification that all parties to the loan are bound by the documents they execute as if they had reached their majority, and the title insurance obtained affirmatively insures same.
20. **SIGNING WITH MARK.** If it is necessary for Borrower to sign with his/her mark, the signatures of two witnesses (with names of witnesses typed under signatures) will be required.
21. **SECONDARY FINANCING.** No loan is to close with secondary financing without the Lender’s explicit written approval. Secondary financing may be contrary to the approval of the loan by the VA, FHA and/or investor.
22. **HOUSING AUTHORITY LOANS.** Housing Authorities have been established in a number of states to

Master Closing Instructions (Multistate)

purchase low interest rate loans to persons meeting certain criteria. Because of the low interest yield and limited time in which the Lender has to deliver the loans to an Authority, it is mandatory that these loans are closed accurately as they cannot generally be sold elsewhere without substantial loss. Unlike normal FHA and VA loans, these cases may not qualify if Borrower's incomes exceed a certain amount or if composition of household changes between the time of filing application and loan closing. If the Settlement Agent has reason to believe any such change in income or household composition has occurred since Borrower filed application for the loan, notify the Lender prior to closing so that the Lender may determine if the loan will be eligible for delivery to the Authority.

23. **FUNDING AND DISBURSEMENT.** After a satisfactory review, the loan will be funded pursuant to the procedure stated in the Supplemental Closing Instructions. The completed closing 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). 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 WRITTEN NOTICE TO SETTLEMENT AGENT.

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

24. **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 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 CONTINUED

LENDER OR LENDER'S AGENT:

Heritage Rock Mortgage
1212 Sunnydale Drive
Arlington TX 76017

BORROWER(S): John Doe
MAILING ADDRESS: 42 East Bay Boulevard, Ashland, KY 41101
PROPERTY ADDRESS: 42 East Bay Boulevard, Ashland, KY 41101

ASSUMPTION: Subject to conditions contained in the loan documents, someone buying the property:
 cannot be allowed to assume the remainder of the loan on the original terms.
 may, subject to conditions, be allowed to assume the remainder of the loan.

FILING / RECORDING FEES: \$100.00 (e)

INSURANCE: The following insurance is required to obtain credit:

- Credit life insurance. Credit disability insurance.
 Credit life and credit disability insurance Property insurance.
 Flood insurance

You may obtain the insurance from anyone you want that is acceptable to Lender.

- If you purchase property insurance from Lender, you will pay _____ for a one year term.
 If you purchase flood insurance from Lender, you will pay _____ for a one year term.

Credit life insurance and credit disability insurance will not be provided unless you sign and agree to pay the additional cost.

| Type | Premium | Signature |
|----------------------------|---------|---|
| Credit Life | | I want credit life insurance _____ |
| Credit Disability | | I want credit disability insurance _____ |
| Credit Life and Disability | | I want credit life and disability insurance _____ |

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 of principal and interest

PREPAYMENT: If you pay off early, you

- will not have to pay a penalty.
 may have to pay a penalty.
 may be assessed interest charges until the end of the month.
 will not be entitled to a refund of part of the finance charge.
 may be entitled to a refund of part of the finance charge.

All numerical disclosures except the late payment disclosure are estimates.

See your contract documents for any additional information regarding non-payment, default, any required repayment in full before schedule date, and prepayment refunds and penalties.

(e) means an estimate

NOTE: Payments shown herein do not include reserve deposits for taxes, property or flood insurance if required by Lender.

I/We have received a copy of this disclosure statement.

Signature Date
John Doe

APR & FINANCE CHARGE SUMMARY

LENDER:
 Heritage Rock Mortgage
 1212 Sunnydale Drive
 Arlington TX 76017

Date: 07/22/2007
Funding: 07/22/2007
Mortgage Ins: No
Loan Amount: \$200,000.00
Loan Term: 360 months
Note Rate: 6.500%
Type of Loan: Conv
1st Payment: 09/01/2007
Loan # 7070665

BORROWER(S): John Doe

MAILING ADDRESS: 42 East Bay Boulevard, Ashland KY 41101
PROPERTY ADDRESS: 42 East Bay Boulevard, Ashland, KY 41101

| ANNUAL PERCENTAGE RATE | FINANCE CHARGE (1) | Amount Financed (2) | Total of Payments (3) | Total Sale Price (4) |
|------------------------|-----------------------|------------------------|--------------------------|-------------------------|
| 6.5479% | \$256,078.98 | \$199,006.84 | \$455,085.82 | |

| 1. Finance Charges: | 2. Calculation of Amount Financed: | | | | | | | | | | | | | | | | | | | | | | | | |
|--|------------------------------------|------------|--------------------------------|------------|----------------------------------|-------|--|-------------------|------------------|--------|------------------------------|-------|--------------------------------|--------|---------------------------------|------------|------------------------------|-------------------|---|-------------------|------------|------------------------------|--------|------------------------------|-------------------|
| <table style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 80%;">Loan Origination Fee</td><td style="text-align: right;">250.00</td></tr> <tr><td>Tax Service Fee</td><td style="text-align: right;">97.00</td></tr> <tr><td>Courier Fee</td><td style="text-align: right;">50.00</td></tr> <tr><td>Prepaid Interest for 10 days (35.6164 per day)</td><td style="text-align: right;">356.16</td></tr> <tr><td>Title Escrow Fee</td><td style="text-align: right;">200.00</td></tr> <tr><td>Title Courier Fee/Fed Ex Fee</td><td style="text-align: right;">40.00</td></tr> <tr><td>Total Prepaid Finance Charges:</td><td style="text-align: right;">993.16</td></tr> <tr><td>Plus Interest for life of loan:</td><td style="text-align: right;">255,085.82</td></tr> <tr><td>TOTAL FINANCE CHARGE:</td><td style="text-align: right;">256,078.98</td></tr> </table> | Loan Origination Fee | 250.00 | Tax Service Fee | 97.00 | Courier Fee | 50.00 | Prepaid Interest for 10 days (35.6164 per day) | 356.16 | Title Escrow Fee | 200.00 | Title Courier Fee/Fed Ex Fee | 40.00 | Total Prepaid Finance Charges: | 993.16 | Plus Interest for life of loan: | 255,085.82 | TOTAL FINANCE CHARGE: | 256,078.98 | <table style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 80%;">Total Loan Amount</td><td style="text-align: right;">200,000.00</td></tr> <tr><td>Less Prepaid Finance Charges</td><td style="text-align: right;">993.16</td></tr> <tr><td>TOTAL AMOUNT FINANCED</td><td style="text-align: right;">199,006.84</td></tr> </table> | Total Loan Amount | 200,000.00 | Less Prepaid Finance Charges | 993.16 | TOTAL AMOUNT FINANCED | 199,006.84 |
| Loan Origination Fee | 250.00 | | | | | | | | | | | | | | | | | | | | | | | | |
| Tax Service Fee | 97.00 | | | | | | | | | | | | | | | | | | | | | | | | |
| Courier Fee | 50.00 | | | | | | | | | | | | | | | | | | | | | | | | |
| Prepaid Interest for 10 days (35.6164 per day) | 356.16 | | | | | | | | | | | | | | | | | | | | | | | | |
| Title Escrow Fee | 200.00 | | | | | | | | | | | | | | | | | | | | | | | | |
| Title Courier Fee/Fed Ex Fee | 40.00 | | | | | | | | | | | | | | | | | | | | | | | | |
| Total Prepaid Finance Charges: | 993.16 | | | | | | | | | | | | | | | | | | | | | | | | |
| Plus Interest for life of loan: | 255,085.82 | | | | | | | | | | | | | | | | | | | | | | | | |
| TOTAL FINANCE CHARGE: | 256,078.98 | | | | | | | | | | | | | | | | | | | | | | | | |
| Total Loan Amount | 200,000.00 | | | | | | | | | | | | | | | | | | | | | | | | |
| Less Prepaid Finance Charges | 993.16 | | | | | | | | | | | | | | | | | | | | | | | | |
| TOTAL AMOUNT FINANCED | 199,006.84 | | | | | | | | | | | | | | | | | | | | | | | | |
| 3. Calculation of Total of Payments: | | | | | | | | | | | | | | | | | | | | | | | | | |
| <table style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 80%;">Loan Amount</td><td style="text-align: right;">200,000.00</td></tr> <tr><td>Plus Interest for life of loan</td><td style="text-align: right;">255,085.82</td></tr> <tr><td>Plus Mortgage Insurance Renewals</td><td style="text-align: right;">0.00</td></tr> <tr><td>TOTAL OF PAYMENTS</td><td style="text-align: right;">455,085.82</td></tr> </table> | Loan Amount | 200,000.00 | Plus Interest for life of loan | 255,085.82 | Plus Mortgage Insurance Renewals | 0.00 | TOTAL OF PAYMENTS | 455,085.82 | | | | | | | | | | | | | | | | | |
| Loan Amount | 200,000.00 | | | | | | | | | | | | | | | | | | | | | | | | |
| Plus Interest for life of loan | 255,085.82 | | | | | | | | | | | | | | | | | | | | | | | | |
| Plus Mortgage Insurance Renewals | 0.00 | | | | | | | | | | | | | | | | | | | | | | | | |
| TOTAL OF PAYMENTS | 455,085.82 | | | | | | | | | | | | | | | | | | | | | | | | |
| 4. Calculation of Total Sale Price: | | | | | | | | | | | | | | | | | | | | | | | | | |
| | N/A | | | | | | | | | | | | | | | | | | | | | | | | |

AMOUNT FINANCED ITEMIZATION

LENDER:

Heritage Rock Mortgage
1212 Sunnydale Drive
Arlington, TX 76017

BORROWER(S):

John Doe

ADDRESS:

42 East Bay Boulevard

CITY/STATE/ZIP:

Ashland, KY 41101

PROPERTY ADDRESS:

42 East Bay Boulevard, Ashland, KY 41101

Date: 07/22/2007

Funding: 07/22/2007

Mortgage Ins: No

Loan Amount: \$200,000.00

Loan Term: 360 month

Note Rate: 6.500%

Type of Loan: Conv

1st Payment: 09/01/2007

Loan # 7070665

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 \$199,006.84 (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):

| | |
|------------|---|
| \$275.00 | Appraisal Fee to H&R Appraisers |
| \$300.00 | Hazard Insurance to 3 mo. @ \$100.00 per month |
| \$3,583.30 | All Property Taxes to 10 mo. @ \$358.33 per month |
| (\$499.96) | Aggregate Escrow Adjustment |
| \$240.00 | Attorney's Fee to PeirsonPatterson, LLP / Mary McKee, Esq. - Co-Counsel |

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

| | |
|----------|--|
| \$250.00 | Loan Origination Fee to Heritage Rock Mortgage |
| \$97.00 | Tax Service Fee |
| \$50.00 | Courier Fee |
| \$356.16 | Prepaid Interest for 10 days (35.6164 per day) to Heritage Rock Mortgage |
| \$200.00 | Title Escrow Fee to Your Title Company |
| \$40.00 | Title Courier Fee/Fed Ex Fee to Your Title Company |
| \$993.16 | Total Prepaid Finance Charges |

NOTE

Loan # 7070665

July 22, 2007
[Date]

Ashland,
[City]

KY
[State]

42 East Bay Boulevard, Ashland, Kentucky 41101
[Property Address]

1. BORROWER'S PROMISE TO PAY

In return for a loan that I have received, I promise to pay U.S. **\$200,000.00** (this amount is called "Principal"), plus interest, to the order of the Lender. The Lender is **Heritage Rock Mortgage**. 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 **6.500%**.

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 **First** day of each month beginning on **September 1, 2007**. I will make these payments every month until I have paid all of the principal and interest and any other charges described below that I may owe under this Note. Each monthly payment will be applied as of its scheduled due date and will be applied to interest before Principal. If, on **August 1, 2037**, I still owe amounts under this Note, I will pay those amounts in full on that date, which is called the "Maturity Date."

I will make my monthly payments at **1212 Sunnydale Drive, 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 **\$1,264.14**.

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,

Multistate Fixed Rate Note--Single Family--Fannie Mae/Freddie Mac
Uniform Instrument

Form 3200 01/01
12601MU 08/00

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 **15** calendar days after the date it is due, I will pay a late charge to the Note Holder. The amount of the charge will be **5.000%** of my overdue payment of principal and interest. I will pay this late charge promptly but only once on each late payment.

(B) Default

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

(C) Notice of Default

If I am in default, the Note Holder may send me a written notice telling me that if I do not pay the overdue amount by a certain date, the Note Holder may require me to pay immediately the full amount of Principal 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

John Doe

[Sign Originals Only]

PAY TO THE ORDER OF
ABC Investor
WITHOUT RECOURSE

Heritage Rock Mortgage, a Texas national bank

Signature

Date

Jill Tucker, Vice President

After recording please return to:

Heritage Rock Mortgage

1212 Sunnydale Drive
Arlington, TX 76017
Sam Jones

This instrument was prepared by:

Michael H. Patterson
2310 Interstate 20 West, Suite 100
Arlington, TX 76017-1668



Mary McKee, Esq.
800 East High Street, Ste. B
Lexington, KY 40502

[Space Above This Line For Recording Data]

MORTGAGE

Loan # 7070665

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 **July 22, 2007**, together with all Riders to this document.

(B) **“Borrower”** is **John Doe, a single person**. Borrower is the mortgagor under this Security Instrument.

(C) **“Lender”** is **Heritage Rock Mortgage**. Lender is a **national bank** organized and existing under the laws of **Texas**. Lender’s address is **1212 Sunnydale Drive, Arlington, TX 76017**. Lender is the mortgagee under this Security Instrument.

(D) **“Note”** means the promissory note signed by Borrower and dated **July 22, 2007**. The Note states that Borrower owes Lender **Two Hundred Thousand and 00/100 Dollars (U.S. \$200,000.00)** plus interest. Borrower has promised to pay this debt in regular Periodic Payments and to pay the debt in full not later than **August 1, 2037**. This Security Instrument secures 150% of the principal amount of the Note.

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

(F) **“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.

(G) **“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]:

Kentucky Mortgage-Single Family-Fannie Mae/Freddie Mac Uniform
Instrument

Form 3018 01/01
14001KY 10/01

- | | | |
|--|---|--|
| <input type="checkbox"/> Adjustable Rate Rider | <input type="checkbox"/> Condominium Rider | <input type="checkbox"/> Second Home Rider |
| <input type="checkbox"/> Balloon Rider | <input 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 type="checkbox"/> Other(s): |

(H) **“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.

(I) **“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.

(J) **“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.

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

(L) **“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.

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

(N) **“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.

(O) **“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.

(P) **“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

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 does hereby mortgage, grant and convey to Lender and Lender’s

successors and assigns, with power of sale, the following described property located in the **County** [Type of Recording Jurisdiction] of **Boyd** [Name of Recording Jurisdiction]:

Lot 9, Block 5, East Bay Addition, an Addition located in the City of Ashland, Boyd County, Kentucky, according to the map recorded in Volume 22, Page 325, of the Map Records of Boyd County, Kentucky,
which currently has the address of

**42 East Bay Boulevard
Ashland, Kentucky 41101**
("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 COVENANTS that Borrower is lawfully seized of the estate hereby conveyed and has the right to mortgage, 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 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 Successor 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 Successor 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 Successor 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 may result in acceleration of the sums secured by this Security Instrument, foreclosure by judicial proceeding and sale of the Property. The notice shall further inform Borrower of the right to reinstate after acceleration and the right to assert in the foreclosure proceeding the non-existence of a default or any other defense of Borrower to acceleration and foreclosure. 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 foreclose this Security Instrument by judicial proceeding. 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.

23. Release. Upon payment of all sums secured by this Security Instrument, Lender shall release this Security Instrument. 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. Waiver of Homestead. Borrower waives all right of homestead exemption in the Property.

25. Taxes and Assessments on Mortgage Insurance Premiums. If mortgage insurance premiums are required to be paid by Borrower pursuant to Section 10, then in addition to such premiums, Borrower shall pay all taxes and assessments thereon for so long as Borrower is required by Lender to pay the premiums. All taxes and assessments on premiums due and payable by Borrower shall be considered an Escrow Item and shall be paid by Borrower to Lender in the manner provided for Escrow Items in Section 3.

26. Protective Advances. This Security Instrument secures not only the initial advance under the Note, but also all Protective Advances. "Protective Advances" means any advances to maintain and protect the Property and/or protect Lender's rights in the Property made by Lender or by any successors or assigns of Lender, including, without limitation, any sums, with interest, advanced under Sections 5, 9, or 14 hereof: (a) to pay any Escrow Items; (b) to pay any sums secured by a lien or encumbrance on the Property without which payment the secured position of Lender, including the Priority of this Security Instrument, or any successor or assign of Lender might be jeopardized; (c) to secure, repair, maintain, protect or preserve the Property, or Lender's interest in the Property and rights under this Security Instrument; or (d) to pay any and all expenses incident to the collection of the indebtedness secured by this Security Instrument and the foreclosure thereof by judicial proceedings, or otherwise, pursuant to Applicable Law, whether the Property is still owned by the Borrower or is owned by a Successor in Interest of Borrower.

To the extent that any Protective Advances are deemed to be "future advances" or "additional indebtedness" within the meaning of KRS 382.520, this Security Instrument secures such future advances or additional indebtedness, provided that the total indebtedness at any one time outstanding shall not exceed 150% of the original principal amount of the Note, with interest thereon, and whether or not evidenced by notes, accounts or obligations of any kind whatsoever. It shall be a default under this Security Instrument if Borrower requests a release, in the manner provided by KRS 382.520, of any portion of the lien securing any of the additional indebtedness secured by this Security Instrument pursuant to KRS 382.520 prior to the date that all of the obligations secured by this Security Instrument have been paid and discharged and the Note and this Security Instrument have been terminated, and

Borrower hereby waives any and all right to request such a release to the maximum extent permitted by Applicable Law.

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
John Doe

[Sign Originals Only]

STATE OF KENTUCKY
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 20____ by **John Doe**

Notary Public
Printed Name: _____
My commission expires: _____

Lender: **Heritage Rock Mortgage**
 Borrower: **John Doe, a single person**
 Property: **42 East Bay Boulevard, Ashland, Kentucky 41101**

First Payment Letter and Mailing Address Certification

Loan # 7070665

Your first payment will be due **September 1, 2007**.

To assure proper credit on your account, please include your loan number as indicated above on all of your loan payment checks. Unless otherwise indicated in your promissory note, each loan payment is due on the **1st** day of the month. Each payment should be mailed early enough for it to reach the holder of the note on or before that date. Payments received after that date are DELINQUENT and could affect your credit rating. Unless otherwise indicated in your note, payments received after the end of the **15th** day of the month due are subject to late charges. Your Total Payment for the first year of the loan is itemized below. The payment may change due to changes in any of the components of the Total Payment (including a possible interest rate change if the loan contains a variable rate feature). New payment coupons (including any adjusted amounts) will be mailed to you at your last known address.

If you do not receive your payment coupons before the date the **FIRST PAYMENT IS DUE AND WE DO NOT NOTIFY YOU TO MAIL SAID PAYMENT DIRECTLY TO US, WHICH WE EXPRESSLY RESERVE THE RIGHT TO DO**, please mail your check along with the temporary payment coupon enclosed.

Your estimated "Total Payment" amount is **\$1,722.47**, totaled from these payment elements:

| Description | Amount |
|-------------------------|-------------------|
| Principal and Interest: | \$1,264.14 |
| Hazard Insurance: | \$100.00 |
| All Property Taxes: | \$358.33 |
| Total: | \$1,722.47 |

In order for Lender to provide Borrower(s) with mortgage coupon payment booklets and to correspond with Borrower(s) on matters of importance, Lender requests Borrower(s) to provide the following information:

Present Mailing Address: _____
 City, State & ZIP Code: _____
 Present Telephone Number (include area code): _____
 Anticipated Moving Date: _____
 New Mailing Address: _____
 City, State & ZIP Code: _____
 New Telephone Number (including area code)(if known): _____

If Borrower(s) desires the mailing address to be different than the address of the Property indicated on the survey, Borrower(s) must provide the correct mailing address above. I/We, the above referenced Borrower(s), certify the above mailing information to be true and correct and further agree to notify the holder or servicer of the note immediately of any change of address by certified mail, return receipt requested, to the address stipulated in the Mortgage/Deed of Trust as being the address where Loan payments are to be mailed. No other knowledge, whether actual or constructive, by the holder of the note or any of its agents or employees, will be sufficient to put the holder of the note on notice of any change of Borrower(s) mailing address and/or telephone number.

Signature

Date

John Doe

TEMPORARY PAYMENT COUPON

1st Payment

Loan # 7070665 **PAYMENT AMOUNT \$1,722.47** **PAYMENT DUE DATE: 09/1/2007**
BORROWER'S NAME: John Doe, a single person
PROPERTY ADDRESS: 42 East Bay Boulevard, Ashland, Kentucky 41101

Note to Borrower: These temporary payment coupons should be used if you have not received your mortgage loan coupon booklet prior to the due date of this payment. The payment amount listed is only an estimate, since all the necessary data for your loan has not been compiled. Please cut out the coupon and remit it with your check to:

**Heritage Rock Mortgage
1212 Sunnydale Drive
Arlington, TX 76017**

----- CUT HERE -----

TEMPORARY PAYMENT COUPON

2nd Payment

Loan # 7070665 **PAYMENT AMOUNT \$1,722.47** **PAYMENT DUE DATE: 10/1/2007**
BORROWER'S NAME: John Doe, a single person
PROPERTY ADDRESS: 42 East Bay Boulevard, Ashland, Kentucky 41101

Note to Borrower: These temporary payment coupons should be used if you have not received your mortgage loan coupon booklet prior to the due date of this payment. The payment amount listed is only an estimate, since all the necessary data for your loan has not been compiled. Please cut out the coupon and remit it with your check to:

**Heritage Rock Mortgage
1212 Sunnydale Drive
Arlington, TX 76017**

----- CUT HERE -----

TEMPORARY PAYMENT COUPON

3rd Payment

Loan # 7070665 **PAYMENT AMOUNT \$1,722.47** **PAYMENT DUE DATE: 11/1/2007**
BORROWER'S NAME: John Doe, a single person
PROPERTY ADDRESS: 42 East Bay Boulevard, Ashland, Kentucky 41101

Note to Borrower: These temporary payment coupons should be used if you have not received your mortgage loan coupon booklet prior to the due date of this payment. The payment amount listed is only an estimate, since all the necessary data for your loan has not been compiled. Please cut out the coupon and remit it with your check to:

**Heritage Rock Mortgage
1212 Sunnydale Drive
Arlington, TX 76017**

**BORROWER ACKNOWLEDGEMENT OF RECEIPT OF
FEDERAL DISCLOSURES
FOR FIRST LIEN RESIDENTIAL MORTGAGES**

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

“Borrower” is **John Doe, a single person.**

“Lender” is **Heritage Rock Mortgage** , and its successors and assigns.

“Property” means the property commonly known as **42 East Bay Boulevard, Ashland, Kentucky 41101.**

Borrower acknowledges receiving the following notices and disclosures at the times indicated:

REAL ESTATE SETTLEMENT PROCEDURES ACT (RESPA) NOTICES

If this is a purchase transaction, consumer booklet entitled Buying Your Home - Settlement Costs and Helpful Information (either at the time of application or by mail postmarked within three (3) business days of Lender’s receipt of the application).

Good Faith Estimate of closing costs (either at the time of application or by mail postmarked within three (3) business days of Lender’s receipt of the application).

Servicing Disclosure Statement (either at the time of application if there was a face-to-face interview or by mail postmarked within three (3) business days of Lender’s receipt of the application).

Uniform Settlement Statement HUD-1 or HUD-1A (at or before settlement) in which all charges paid or to be paid by Borrower in connection with the settlement were set forth. The statement was provided for Borrower’s review at least one (1) business day prior to the settlement date, if requested by Borrower.

TRUTH IN LENDING ACT (TILA) NOTICES

If this is a purchase transaction, initial Truth in Lending Disclosure Statement (either at the time of application or by mail postmarked within three (3) business days of Lender’s receipt of the application).

Final Truth in Lending Statement (before consummation of the loan).

If this loan is a refinance transaction and subject to Section 226.32 of Regulation Z, Disclosure Required by the Federal Truth in Lending Act and the Federal Reserve Regulation Z for Section 226.32 Mortgages (at least three (3) business days [including Saturdays] prior to consummation of the loan).

If this is a rescindable transaction, two (2) Notices of Right to Cancel (at consummation of the loan).

If the loan is to be secured by Borrower’s primary residence and Borrower applied for an adjustable rate feature, Adjustable Rate Mortgage Program Disclosure and consumer booklet entitled Consumer Handbook on Adjustable Rate Mortgages (either at the time of application or before a non-refundable fee was paid, whichever was earlier, or by mail postmarked within three (3) business days of Lender’s receipt of the application from an intermediary agent or broker).

If this transaction was changed to a variable rate program during the processing period, Adjustable Rate Mortgage Program Disclosure and consumer booklet entitled Consumer Handbook on Adjustable Rate Mortgages (before consummation of the loan).

NATIONAL FLOOD INSURANCE ACT (NFIA) NOTICE

If the Property is or will be located in an area designated by the Federal Emergency Management Agency as an area having special flood hazards, Notice of Special Flood Hazards and Availability of Federal Disaster Relief Assistance (at a reasonable time prior to closing).

HOMEOWNERS PROTECTION ACT OF 1998 (HPA) NOTICES

If this transaction has private mortgage insurance to be paid by Lender, Lender Paid Private Mortgage Insurance Notice (at or before the time of loan commitment).

If this transaction has private mortgage insurance to be paid by Borrower, Private Mortgage Insurance Disclosure (at consummation of the loan).

RIGHT TO RECEIVE COPY OF APPRAISAL (REG B)

Lender has provided me/us with a copy of the appraisal report of the Property or a Notice of Right to Receive a Copy of an Appraisal.

GRAMM-LEACH-BLILEY ACT (FINANCIAL PRIVACY) Notice

At time of application Lender provided me/us with a copy of Lender's Financial Privacy Notice detailing Lender's policy on the matter.

Signature

Date

John Doe

Lender: **Heritage Rock Mortgage**
Borrower: **John Doe, a single person**
Property: **42 East Bay Boulevard, Ashland, Kentucky 41101**

Attorney Representation Notice

Loan # 7070665

This Attorney Representation Notice (“Notice”) is entered into between McKee, Mullins & Stephens, PLLC and co-counsel PeirsonPatterson, LLP (“we”, “our” or “us”) and **John Doe , a single person** (“you” or “your” whether one or more), herein referred to as “Borrower”.

LOAN DOCUMENTATION. We have 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 AND SELLER 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. Seller and Borrower are advised to consult their respective 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, SELLER AND**

Attorney Representation Notice

BORROWER (OR THEIR ATTORNEYS) 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 INVOLVEMENTS 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.** To the extent Lender and Seller are the same, we further represent Lender in its capacity as Seller for purposes of Deed preparation only. Seller is signing this agreement only to receive the notices and to assent to the terms contained in this paragraph.

Borrower and Seller hereby acknowledge receiving and reading a copy of this Notice and affirm the accuracy of their respective statements contained herein.

Signature Date
John Doe

[Sign Originals Only]

Signature Date
Jay Seller

Lender: **Heritage Rock Mortgage**
Borrower: **John Doe, a single person**
Property: **42 East Bay Boulevard, Ashland, Kentucky 41101**

Borrower(s)' Acceptance of Property Condition

Loan # 7070665

The undersigned Borrower(s), hereby represents the following:

1. I/We acknowledge that the Property and all of its improvements, fixtures, appliances, and other parts are in a condition that is satisfactory to me/us and Lender makes no warranty either expressed or implied relating to same. If the Property is new construction, I/we find that the improvements erected on the above mentioned Property have been completed substantially in accordance with the plans and specifications, and to my/our satisfaction, and that the terms of the contract between me/us and the builder have been fully carried out. If this is the purchase of an existing dwelling, I/we state that I/we are familiar with the Property and have accepted the condition thereof, and that all terms of the sales contract have been met to my/our satisfaction.
2. Any required repairs have been completed to my/our satisfaction.
3. Any mechanical difficulties that arise from the time that I/we complete my/our loan closing and disbursement are my/our responsibility and not the responsibility of the Lender.
4. I/We are not paying any fees or charges that are prohibited by any government regulations.
5. I/We are aware that I/we are required to pay the entire amount of prepaid items at loan closing on all loans except VA guaranteed loans.
6. I/We hold the Lender and/or its assignees harmless by reason of any repairs and/or alterations that may be required to the Property, or any injury or expenses relating thereto.
7. I/We are fully aware that the Lender is relying on this information when disbursing the loan proceeds on my/our behalf. I/We further authorize the disbursement of the loan proceeds by the Lender and the Settlement Agent on my/our behalf.

The above information has been reviewed with Borrower(s) by the Settlement Agent and Borrower(s) hereby represent that the above mentioned statements are correct and complete.

Signature

Date

John Doe

Borrower(s) Acceptance of Property Condition

Lender: **Heritage Rock Mortgage**
Borrower: **John Doe, a single person**
Property: **42 East Bay Boulevard, Ashland, Kentucky 41101**

Collateral Protection Insurance Notice

Loan # 7070665

The following notice is given to Borrower by Lender.

- A. Borrower is required to:
- (i) keep property insured against damage in the amount Lender specifies;
 - (ii) purchase the insurance from an insurer that is authorized to do business in this state or an eligible surplus lines insurer; and
 - (iii) name Lender as the person to be paid under the policy in the event of a loss;
- B. Borrower must, if required by Lender, deliver to Lender a copy of the policy and proof of the payment of premiums; and
- C. If Borrower fails to meet any requirement listed in Paragraph (A) or (B), Lender may obtain collateral protection insurance on behalf of Borrower at Borrower's expense.

Signature

Date

John Doe

[Sign Originals Only]

Lender: **Heritage Rock Mortgage**
Borrower: **John Doe, a single person**
Property: **42 East Bay Boulevard, Ashland, Kentucky 41101**

Disclosure of Right to Receive a Copy of an Appraisal

Loan # 7070665

| | |
|--|--|
| Applicant(s) name(s) / Address(es) ("You", "Your") John Doe, a single person 42 East Bay Boulevard Ashland, KY 41101 | Lenders name / Address ("We", "Us") Heritage Rock Mortgage 1212 Sunnydale Drive Arlington, Texas 76017 |
|--|--|

DATE: **July 22, 2007**

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

Date

John Doe

[Sign Originals Only]

Disclosure of Right to Receive a Copy of an Appraisal

Lender: **Heritage Rock Mortgage**
Borrower: **John Doe, a single person**
Property: **42 East Bay Boulevard, Ashland, Kentucky 41101**

Document Correction Agreement

Loan # 7070665

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

John Doe

[Sign Originals Only]

Lender: **Heritage Rock Mortgage**
Lender Address: **1212 Sunnydale Drive, Arlington, TX 76017**
Borrower: **John Doe, a single person**
Property: **42 East Bay Boulevard, Ashland, Kentucky 41101**

Fair Credit Reporting Act Notice
(Prior to Furnishing Negative Information to
Nationwide Consumer Reporting Agency)

Loan # 7070665

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

John Doe

Lender: **Heritage Rock Mortgage**
Borrower: **John Doe, a single person**
Property: **42 East Bay Boulevard, Ashland, Kentucky 41101**

Future Flood Insurance Authorization by Borrower(s)

Loan # 7070665

The above-referenced Borrower(s) hereby authorize(s) Lender, and its assigns, to purchase flood insurance on the above-described Property if a determination is made subsequent to closing that flood insurance is necessary, and then only for the purchase of sufficient flood insurance necessary to market the loan and/or to comply with any and all Federal, State, County and Municipal regulations and/or regulations of the Office of Thrift Supervision, Federal Reserve Board, institutional investors, etc.

At any time during the life of the loan covering the above-described Property, such flood insurance policy may be purchased from the agent designated by Borrower(s) and subsequently furnished to Lender. The premium may be paid from the escrow funds on hand and the proper adjustment made to the monthly payment.

Lender, where time and the applicable regulations allow, shall provide Borrower(s) with 10 day written notice that flood insurance must be purchased, the amount necessary, and an estimate of the cost. If a response is not received from the Borrower(s) within 45 days of such notice, Lender is hereby authorized to obtain insurance from whatever source advisable under the circumstances and provide the Borrower(s) with a copy of the policy.

Signature

Date

John Doe

Non-Flood Certification by Seller(s)

This is to certify that none of the improvements located on the above-referenced Property which I/we are selling are now (or to the best of my/our knowledge ever been) located in a flood prone or flood hazard area.

Signature

Date

Jay Seller

Future Flood Insurance Authorization by Borrower(s)

Lender: **Heritage Rock Mortgage**
Borrower: **John Doe, a single person**
Property: **42 East Bay Boulevard, Ashland, Kentucky 41101**

Hazard Insurance Information

[Settlement Agent to Complete and Execute]

Loan # 7070665

Name of Insurance Company: _____

Name of Insurance Agent: _____

Address of Agent: _____

Phone Number: _____

Type of Insurance: _____

Paid Through Escrow: Yes/No Check No. _____

Amount of Coverage: _____

Amount of Annual Premium: _____

Date of Issuance of Policy: _____

Expiration Date of Policy: _____

The above-referenced new insurance policy and paid receipt for the first year premium (and signed installment note if applicable) is enclosed herewith.

Your Title Company

By: _____
(Settlement Agent Signature)

Lender: **Heritage Rock Mortgage**
Borrower: **John Doe, a single person**
Property: **42 East Bay Boulevard, Ashland, Kentucky 41101**

Name Affidavit

Loan # 7070665

In reference to the above-described loan transaction, I the undersigned, and being named party in the loan documents for said transaction, on oath do swear that I am one and the same person as:

John R. Doe

Signature Date
John Doe

STATE OF KENTUCKY
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 20____ by **John Doe**

Notary Public
Printed Name: _____
My commission expires: _____

Lender: **Heritage Rock Mortgage**
Borrower: **John Doe, a single person**
Property: **42 East Bay Boulevard, Ashland, Kentucky 41101**

Notice of Assignment, Sale, or Transfer of Servicing Rights

Loan # 7070665

You are hereby notified that the servicing of your mortgage loan, that is, the right to collect payments from you, is being assigned, sold or transferred from **Heritage Rock Mortgage** to **ABC Investor**, effective **September 1, 2007**.

The assignment, sale or transfer of the servicing of the mortgage loan does not affect any term or condition of the mortgage instruments, other than terms directly related to the servicing of your loan.

Except in limited circumstances, the law requires that your present servicer send you this notice at least 15 days before the effective date of transfer, or at closing. Your new servicer must also send you this notice not later than 15 days after this effective date or at closing.

Your present servicer is **Heritage Rock Mortgage**. If you have any questions relating to the transfer of servicing from your, present servicer call **(817) 375-2638** between **9:00 a.m. - 4:00 p.m.** on the following days **Monday - Friday (excluding Federal holidays)**.

This is a _____ toll-free _____ collect call number.

Your new servicer will be **ABC Investor**.

The business address for your new servicer is: **2222 Dallas Street, Suite 400, Connersville, IN 47331**.

The _____ toll-free _____ collect call telephone number of your new servicer is **(832) 375-2638**.

If you have any questions relating to the transfer of servicing to your new servicer call **Customer Service** at **(832) 375-2638**.

_____ toll-free _____ collect call telephone number between **9:00 a.m.-5:00 p.m.** on the following days **Monday - Friday (excluding Federal Holidays)**.

The date that your present servicer will stop accepting payments from you is **September 1, 2007**.

The date that your new servicer will start accepting payments from you is **September 1, 2007**. Send all payments due on or after that date to your new servicer.

You should also be aware of the following information, which is set out in more detail in Section 6 of the Real Estate Settlement Procedures Act (RESPA) (12 U.S.C. 2605):

During the 60-day period following the effective date of the transfer of the loan servicing, a loan payment received by your old servicer before its due date may not be treated by the new loan servicer as late, and a late fee may not be imposed on you.

Section 6 of RESPA (12 U.S.C. 2605) gives you certain consumer rights. If you send a "qualified written request" to your loan servicer concerning the servicing of your loan, your servicer must provide you with a written acknowledgement within 20 Business Days of receipt of your request. A "qualified written request" is a written correspondence, other than notice on a payment coupon or other payment medium supplied by the servicer, which

Notice of Assignment, Sale or Transfer of Servicing Rights

includes your name and account number, and your reasons for the request. If you want to send a “qualified written request” regarding the servicing of your loan, it must be sent to this address: **ABC Investor, 2222 Dallas Street, Suite 400, Connersville, IN 47331.**

Not later than 60 Business Days after receiving your request, your servicer must make any appropriate corrections to your account, and must provide you with a written clarification regarding any dispute. During this 60 Business Day period, your servicer may not provide information to a consumer reporting agency concerning any overdue payment related to such period or qualified written request. However, this does not prevent the servicer from initiating foreclosure if proper grounds exist under the mortgage documents.

A Business Day is a day on which the offices of the business entity are open to the public for carrying on substantially all of its business functions.

Section 6 of RESPA also provides for damages and costs for individuals or classes of individuals in circumstances where servicers are shown to have violated the requirements of that Section. You should seek legal advice if you believe your rights have been violated.

Signature

Date

John Doe

[Sign Originals Only]

Lender: **Heritage Rock Mortgage**
Borrower: **John Doe, a single person**
Property: **42 East Bay Boulevard, Ashland, Kentucky 41101**

Notice of No Oral Agreements

Loan # 7070665

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.

Heritage Rock Mortgage, a Texas national bank

Signature Date
Jill Tucker, Vice President

Signature Date
John Doe

Note: "Loan Agreement" as used herein means promissory note, agreement, undertaking, deed of trust, document, commitment or any combination thereof pursuant to which Lender loans money.

Lender: **Heritage Rock Mortgage**
Borrower: **John Doe, a single person**
Property: **42 East Bay Boulevard, Ashland, Kentucky 41101**

Occupancy Affidavit

Loan # 7070665

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:

1. Borrower(s) hereby certify that, upon taking title to the Property described above, their occupancy status will be as follows:

1.1 The Property is/will be Borrower's Principal Residence. This means at least one of the Borrowers who executes the Note and Deed of Trust/Mortgage 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 thirty (30) days after this date or thirty (30) days after the Property shall first become ready for occupancy as a habitable dwelling, whichever is later. Borrower shall continue to occupy the Property as Borrower's principal for at least one 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 Borrower's control.

1.2 Secondary Residence: A single family property that at least one of the undersigned Borrowers will occupy in addition to his/her primary residence (a two-four family property is not eligible for second home status.) It will not be income producing.

1.3 Investment Property: The Property will not be occupied nor claimed as homestead by any of the Borrowers and may produce revenue.

2. 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 Deed of Trust/Mortgage indenture concerning default in the Note will thereupon be in full force and effect.

3. Borrower(s) further acknowledge that they have read and understand the following:

PENALTY FOR FALSE STATEMENTS

CONVENTIONAL: It is a **federal crime punishable** by fine or imprisonment or both to knowingly make any false statements concerning any of the facts in connection with an application for a conventional mortgage, as applicable under the provisions of Title 18, United States Code, Section 1014.

FHA: Anyone who makes, passes, utters, or publishes any statement, knowing the same to be false, in connection with an application for a FHA mortgage, shall be **fined not more than \$5,000.00** or imprisoned not more than two years, or both.

VA: Federal Statutes provide **severe penalties** for any fraud, intentional misrepresentation, or criminal connivance or conspiracy proposed to influence the issuance of any guaranty or insurance by the administration.

Occupancy Affidavit - Multistate

4. The agreement and covenants contained herein shall survive the closing of this loan transaction.

Signature

Date

John Doe

[Sign Originals Only]

STATE OF KENTUCKY

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 20____ by **John Doe**

Notary Public

Printed Name: _____

My commission expires: _____

Lender: **Heritage Rock Mortgage**
Borrower: **John Doe, a single person**
Property: **42 East Bay Boulevard, Ashland, Kentucky 41101**

Loan # 7070665

SHORT LEGAL DESCRIPTION:

Lot 9, Block 5, East Bay Addition, an Addition located in the City of Ashland, Boyd County, Kentucky, according to the map recorded in Volume 22, Page 325, of the Map Records of Boyd County, Kentucky.

Property Tax Information

(This form must be typed)

TAX AUTHORITY:

TAX INFORMATION:

State and County

Name: _____
Address: _____
City: _____
State: _____
Zip: _____
Telephone: _____
Tax ID/Account No.: _____

Estimated Annual Tax: _____
Monthly Escrow Amount: _____
Taxes Paid Through: _____
Amount of Taxes Last Paid: _____
Discount Date: _____
Due Dates in Sequence: _____
Penalty Date: _____

City

Name: _____
Address: _____
City: _____
State: _____
Zip: _____
Telephone: _____
Tax ID/Account No.: _____

Estimated Annual Tax: _____
Monthly Escrow Amount: _____
Taxes Paid Through: _____
Amount of Taxes Last Paid: _____
Discount Date: _____
Due Dates in Sequence: _____
Penalty Date: _____

School

Name: _____
Address: _____
City: _____
State: _____
Zip: _____
Telephone: _____
Tax ID/Account No.: _____

Estimated Annual Tax: _____
Monthly Escrow Amount: _____
Taxes Paid Through: _____
Amount of Taxes Last Paid: _____
Discount Date: _____
Due Dates in Sequence: _____
Penalty Date: _____

TAX AUTHORITY:

TAX INFORMATION:

Municipal Utility

Name: _____
 Address: _____
 City: _____
 State: _____
 Zip: _____
 Telephone: _____
 Tax ID/Account No.: _____

Estimated Annual Tax: _____
 Monthly Escrow Amount: _____
 Taxes Paid Through: _____
 Amount of Taxes Last Paid: _____
 Discount Date: _____
 Due Dates in Sequence: _____
 Penalty Date: _____

Other

Name: _____
 Address: _____
 City: _____
 State: _____
 Zip: _____
 Telephone: _____
 Tax ID/Account No.: _____

Estimated Annual Tax: _____
 Monthly Escrow Amount: _____
 Taxes Paid Through: _____
 Amount of Taxes Last Paid: _____
 Discount Date: _____
 Due Dates in Sequence: _____
 Penalty Date: _____

“Estimated Annual Tax” amounts specified above are based upon the improved value of the Property (and without exemption(s) if the exemption(s) will no longer apply). If the Property is new construction (or subject to exemptions that will no longer apply), please place an “E” for Estimate beside the “Estimated Annual Tax: amount. If the Property is not occupied by the Borrower(s), please furnish the correct mailing address for the Borrower(s):

Your Title Company

By: _____
 Settlement Agent

Request for Transcript of Tax Return

- **Do not sign this form unless all applicable lines have been completed.**
Read the instructions on page 2.
- **Request may be rejected if the form is incomplete, illegible, or any required line was blank at the time of signature.**

TIP: Use Form 4506-T to order a transcript or other return information free of charge. See the product list below. You can also call 1-800-829-1040 to order a transcript. If you need a copy of your return, use **Form 4506**, Request for Copy of Tax Return. There is a fee to get a copy of your return.

| | |
|---|---|
| 1a Name shown on tax return. If a joint return, enter the name shown first. John Doe | 1b First social security number on tax return or employer identification number (see instructions) |
| 2a If a joint return, enter spouse's name shown on tax return | 2b Second social security number if joint tax return |

3 Current name, address (including apt., room, or suite no.), city, state, and ZIP code
John Doe - 42 East Bay Boulevard, Ashland KY 41101

4 Previous address shown on the last return filed if different from line 3

5 If the transcript or tax information is to be mailed to a third party (such as a mortgage company), enter the third party's name, address, and telephone number. The IRS has no control over what the third party does with the tax information.
Heritage Rock Mortgage, 1212 Sunnydale Drive, Arlington, TX 76017, Sam Jones

Caution: If a third party requires you to complete Form 4506-T, do not sign Form 4506-T if lines 6 and 9 are blank.

6 Transcript requested. Enter the tax form number here (1040, 1065, 1120, etc.) and check the appropriate box below. Enter only one tax form number per request. •

a Return Transcript, which includes most of the line items of a tax return as filed with the IRS. Transcripts are only available for the following returns: Form 1040 series, Form 1065, Form 1120, Form 1120A, Form 1120H, Form 1120L, and Form 1120S. Return transcripts are available for the current year and returns processed during the prior 3 processing years. Most requests will be processed within 10 business days...

b Account Transcript, which contains information on the financial status of the account, such as payments made on the account, penalty assessments, and adjustments made by you or the IRS after the return was filed. Return information is limited to items such as tax liability and estimated tax payments. Account transcripts are available for most returns. Most requests will be processed within 30 calendar days

c Record of Account, which is a combination of line item information and later adjustments to the account. Available for current year and 3 prior tax years. Most requests will be processed within 30 calendar days

7 Verification of Nonfiling, which is proof from the IRS that you **did not** file a return for the year. Most requests will be processed within 10 business days.....

8 Form W-2, Form 1099 series, Form 1098 series, or Form 5498 series transcript. The IRS can provide a transcript that includes data from these information returns. State or local information is not included with the Form W-2 information. The IRS may be able to provide this transcript information for up to 10 years. Information for the current year is generally not available until the year after it is filed with the IRS. For example, W-2 information for 2003, filed in 2004, will not be available from the IRS until 2005. If you need W-2 information for retirement purposes, you should contact the Social Security Administration at 1-800-772-1213. Most requests will be processed within 45 days

Caution: If you need a copy of Form W-2 or Form 1099, you should first contact the payer. To get a copy of the Form W-2 or Form 1099 filed with your return, you must use Form 4506 and request a copy of your return, which includes all attachments.

9 Year or period requested. Enter the ending date of the year or period, using the mm/dd/yyyy format. If you are requesting more than four years or periods, you must attach another Form 4506-T. For requests relating to quarterly tax returns, such as Form 941, you must enter each quarter or tax period separately.

_____ / ____ / _____
 _____ / ____ / _____
 _____ / ____ / _____
 _____ / ____ / _____

Signature of taxpayer(s). I declare that I am either the taxpayer whose name is shown on line 1a or 2a, or a person authorized to obtain the tax information requested. If the request applies to a joint return, **either** husband or wife must sign. If signed by a corporate officer, partner, guardian, tax matters partner, executor, receiver, administrator, trustee, or party other than the taxpayer, I certify that I have the authority to execute Form 4506-T on behalf of the taxpayer.

| | |
|--|---|
| | Telephone number of taxpayer on line 1a or 2a () |
| Sign Here Signature (see instructions) | _____ Date |
| Title (if line 1a above is a corporation, partnership, estate, or trust) | _____ |
| Spouse's signature | _____ Date |

For Privacy Act and Paperwork Reduction Act Notice, see page 2.

General Instructions

Purpose of form. Use Form 4506-T to request tax return information. You can also designate a third party to receive the information. See line 5.

Tip. Use Form 4506, Request for Copy of Tax Return, to request copies of tax returns.

Where to file. Mail or fax Form 4506-T to the address below for the state you lived in when that return was filed. There are two address charts: one for individual transcripts (Form 1040 series and Form W-2) and one for all other transcripts.

Note: If you are requesting more than one transcript or other product and the chart below shows two different service centers, mail your request to the service center based on the address of your most recent return.

Chart for individual transcripts (Form 1040 series and Form W-2)

| If you filed an individual return and lived in: | Mail or fax to the "Internal Revenue Service" at: |
|--|---|
| District of Columbia, Maine, Maryland, Massachusetts, New Hampshire, New York, Vermont | RAIVS Team Stop 679 Andover, MA 05501 978-247-9255 |
| Alabama, Delaware, Florida, Georgia, North Carolina, Rhode Island, South Carolina, Virginia | RAIVS Team P.O. Box 47-421 Stop 91 Doraville, GA 30362 678-530-5326 |
| Arkansas, Kansas, Kentucky, Louisiana, Mississippi, Oklahoma, Tennessee, Texas, West Virginia | RAIVS Team Stop 6716 AUSC Austin, TX 73301 512-460-2272 |
| Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nebraska, Nevada, New Mexico, Oregon, South Dakota, Utah, Washington, Wyoming | RAIVS Team Stop 38101 Fresno, CA 93888 559-253-4990 |
| Connecticut, Illinois, Indiana, Iowa, Michigan, Minnesota, Missouri, North Dakota, Ohio, Wisconsin | RAIVS Team Stop 6705-B41 Kansas City, MO 64999 816-823-7667 |
| New Jersey, Pennsylvania, a foreign country, or A.P.O. or F.P.O. address | RAIVS Team DP 135SE Philadelphia, PA 19255-0695 215-516-2931 |

Chart for all other transcripts

| If you lived in or your business was in: | Mail or fax to the "Internal Revenue Service" at: |
|--|--|
| Alabama, Alaska, Arizona, Arkansas, California, Colorado, Florida, Georgia, Hawaii, Idaho, Iowa, Kansas, Louisiana, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Mexico, North Dakota, Oklahoma, Oregon, South Dakota, Tennessee, Texas, Utah, Washington, Wyoming | RAIVS Team P.O. Box 9941 Mail Stop 6734 Ogden, UT 84409 801-620-6922 |
| Connecticut, Delaware, District of Columbia, Illinois, Indiana, Kentucky, Maine, Maryland, Massachusetts, Michigan, New Hampshire, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Rhode Island, South Carolina, Vermont, Virginia, West Virginia, Wisconsin | RAIVS Team P.O. Box 145500 Stop 2800 F Cincinnati, OH 45250 859-669-3592 |
| A foreign country, or A.P.O. or F.P.O. address | RAIVS Team DP 135SE Philadelphia, PA 19255-0695 215-516-2931 |

Line 1b. Enter your employer identification number (EIN) if your request relates to a business return. Otherwise, enter the first social security number (SSN) shown on the return. For example, if you are requesting Form 1040 that includes Schedule C (Form 1040), enter your SSN.

Line 6. Enter only one tax form number per request.

Signature and date. Form 4506-T must be signed and dated by the taxpayer listed on line 1a or 2a. If you completed line 5 requesting the information be sent to a third party, the IRS must receive Form 4506-T within 60 days of the date signed by the taxpayer or it will be rejected.

Individuals. Transcripts of jointly filed tax returns may be furnished to either spouse. Only one signature is required. Sign Form 4506-T exactly as your name appeared on the original return. If you changed your name, also sign your current name.

Corporations. Generally, Form 4506-T can be signed by: (1) an officer having legal authority to bind the corporation, (2) any person designated by the board of directors or other governing body, or (3) any officer or employee on written request by any principal officer and attested to by the secretary or other officer.

Partnerships. Generally, Form 4506-T can be signed by any person who was a member of the partnership during any part of the tax period requested on line 9.

All others. See Internal Revenue Code section 6103(e) if the taxpayer has died, is insolvent, is a dissolved corporation, or if a trustee, guardian, executor, receiver, or administrator is acting for the taxpayer.

Documentation. For entities other than individuals, you must attach the authorization document. For example, this could be the letter from the principal officer authorizing an employee of the corporation or the Letters Testamentary authorizing an individual to act for an estate.

Privacy Act and Paperwork Reduction Act Notice.

We ask for the information on this form to establish your right to gain access to the requested tax information under the Internal Revenue Code. We need this information to properly identify the tax information and respond to your request. Sections 6103 and 6109 require you to provide this information, including your SSN or EIN. If you do not provide this information, we may not be able to process your request. Providing false or fraudulent information may subject you to penalties.

Routine uses of this information include giving it to the Department of Justice for civil and criminal litigation, and cities, states, and the District of Columbia for use in administering their tax laws. We may also disclose this information to other countries under a tax treaty, to federal and state agencies to enforce federal nontax criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file Form 4506-T will vary depending on individual circumstances. The estimated average time is: **Learning about the law or the form**, 10 min.; **Preparing the form**, 12 min.; and **Copying, assembling, and sending the form to the IRS**, 20 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making Form 4506-T simpler, we would be happy to hear from you. You can write to the Internal Revenue Service, Tax Products Coordinating Committee, SE:W:CAR:MP:T:T:SP, 1111 Constitution Ave. NW, IR-6406, Washington, DC 20224. Do not send the form to this address. Instead, see *Where to file* on this page.

Lender: **Heritage Rock Mortgage**
Borrower: **John Doe, a single person**
Property: **42 East Bay Boulevard, Ashland, Kentucky 41101**

Status Certification Affidavit

Loan # 7070665

I/We being the above referenced Borrower(s), on oath swear that the following statements are true:

I/We understand that Lender is granting a mortgage loan (the "Loan") based on the representations made in the loan application given by the Borrower(s) to Lender. I/We hereby certify that all statements related to the loan application, including but not limited to financial, marital, and employment status, have not changed, and to my/our knowledge, will not adversely change in the foreseeable future. The statements of fact regarding occupancy of the Property which is being purchased or refinanced are the same as represented at time of loan application. The funds for down payment and closing costs are being paid from the source stated on the loan application. I/We further certify that if my/our loan application states that other real estate was to be sold, this is to certify that such transaction has taken place and I/we no longer have title in such real estate.

I/We understand that I/we hereby warrant all representations made in connection with the Loan.

I/We further understand that if any statements or facts have been knowingly misrepresented, the Loan will be in default and will be called due immediately. I/We have read this entire affidavit and understand and agree to all terms and conditions of this affidavit.

Note: If there have been any changes as specified above, contact Lender immediately and do not close the loan.

EXECUTED this _____ day of _____, 20_____.

Signature Date
John Doe

STATE OF KENTUCKY
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 20____ by **John Doe**

Notary Public
Printed Name: _____
My commission expires: _____

Status Certification Affidavit

Lender: **Heritage Rock Mortgage**
Borrower: **John Doe, a single person**
Property: **42 East Bay Boulevard, Ashland, Kentucky 41101**

**Survey and Title Exception(s) Receipt
with Specific Hold Harmless**

Loan # 7070665

I/We the undersigned Borrower(s) hereby certify that I/we have received, reviewed, and approved a copy of the survey which is attached hereto and incorporated herein for all purposes and have signed and dated same for identification purposes. I/We are aware of the indicated encroachments, easements, limitations, access, dimensions, and/or other conditions.

I/We further certify that the Settlement Agent has provided me/us with a copy of the Commitment for Title Insurance (a copy of same being attached hereto and incorporated herein for all purposes) and that I/we have reviewed and consented to all of the exceptions to title which would appear in an Owner's Title Policy for the Property and have signed and dated copies of Schedule A and B of said commitment which are attached hereto.

I/We, the undersigned Borrower(s), in consideration of the extension of credit being made by the above referenced Lender, do hereby INDEMNIFY AND AGREE TO HOLD said Lender, its successors and assigns HARMLESS from any and all liabilities, claims, causes of action and costs and expenses, known and unknown, which have arisen or might arise from the following:

I/We will forever hold Lender harmless from any complaint arising as a result of any matters indicated in the survey, the exceptions stated in the Commitment for Title Insurance, and Owner's and Mortgagee Title Insurance Policies and otherwise listed herein.

Signature
John Doe

Date

TITLE COMPANY MUST ATTACH HERETO COPIES OF THE SURVEY AND SCHEDULE A AND B OF THE TITLE COMMITMENT. BORROWER(S) MUST SIGN AND DATE EACH FOR IDENTIFICATION PURPOSES

Request for Taxpayer Identification Number and Certification

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

**Print or type-See Specific
Instruction on page 2**

| | |
|--|---|
| Name (as shown on your income tax return) John Doe | |
| Business name, if different from above | |
| Check appropriate box: <input type="checkbox"/> Individual/Sole proprietor <input type="checkbox"/> Corporation <input type="checkbox"/> Partnership <input type="checkbox"/> Other _____ <input type="checkbox"/> Exempt from backup withholding | |
| Address (number, street, and apt. or suite no.) 42 East Bay Boulevard | Requester's name and address (optional) |
| City, state, and ZIP code Ashland, KY 41101 | |
| 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 Line 1 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 |
| or |
| Employer identification number |

Note: If the account is in more than one name, see the chart on page 3 for guidelines on whose number to enter.

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. person (including a U.S. resident alien).

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 3.)

| | | |
|------------------|-----------------------------------|---------------|
| Sign Here | Signature of U.S. person • | Date • |
|------------------|-----------------------------------|---------------|

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.

U.S. person. 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.

In 3 above, 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.

For federal tax purposes, you are considered a person if you are:

- An individual who is a citizen or resident of the United States,
- A partnership, corporation, company, or association created or organized in the United States or under the laws of the United States, or
- Any estate (other than a foreign estate) or trust. See Regulations sections 301.7701-6(a) and 7(a) for additional information.

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 recipient 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 28% of such payments (after December 31, 2002). This is called "backup withholding." Payments that may be subject to backup withholding include 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 regarding partnerships* on page 1.

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" line.

Limited liability company (LLC). If you are a single-member LLC (including a foreign LLC with a domestic owner) that is disregarded as an entity separate from its owner under Treasury regulations section 301.7701-3, enter the owner's name on the "Name" line. Enter the LLC's name on the "Business name" line. Check the appropriate box for your filing status (sole proprietor, corporation, etc.), then check the box for "Other" and enter "LLC" in the space provided.

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" line.

Note: You are requested to check the appropriate box for your status (individual/sole proprietor, corporation, etc.).

Exempt From Backup Withholding.

If you are exempt, enter your name as described above and check the appropriate box for your status, then check the "Exempt from backup withholding" box in the line following the business 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 for backup withholding, you should still complete this form to avoid possible erroneous backup withholding.

Exempt payees. Backup withholding is not required on any payments made to the following payees:

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

| IF the payment is for... | THEN the payment is exempt for... |
|--|--|
| Interest and dividend payments | All exempt recipients except for 9 |
| Broker transactions | Exempt recipients 1 through 13. Also, a person registered under the Investment Advisers Act of 1940 who regularly acts as a broker |
| Barter exchange transactions and patronage dividends | Exempt recipients 1 through 5 |
| Payments over \$600 required | Generally, exempt recipients 1 |

Request for Taxpayer Identification Number and Certification - Borrower 1

| | |
|---|---------------------------|
| to be reported and direct sales over \$5,000 ¹ | through 7 ² |
|---|---------------------------|

- See Form 1099-MISC, Miscellaneous Income, and its instructions.
- However, the following payments made to a corporation (including gross proceeds paid to an attorney under section 6045(f), even if the attorney is a corporation) and reportable on Form 1099-MISC are not exempt from backup withholding: medical and health care payments, attorneys' fees; 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 a 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-owner LLC that is disregarded as an entity separate from its owner (see *Limited liability company (LLC)* on page 2), enter your SSN (or EIN, if you have one). If the LLC is a corporation, partnership, etc., enter the entity's EIN.

Note: See the chart on page 3 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 a 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.socialsecurity.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 and clicking on Employer ID Numbers under Related Topics. You can get Forms W-7 and SS-4 from the IRS by visiting www.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: Writing "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 items 1, 4, and 5 below indicate otherwise.

For a joint account, only the person whose TIN is shown in Part I should sign (when required). Exempt recipients, see *Exempt From Backup Withholding* on page 2.

Signature requirements. Complete the certification as indicated in 1 through 5 below.

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 ¹ |
| 3. Custodian account of a minor (Uniform Gift to Minors Act) | The minor ² |
| 4. a. The usual revocable savings trust (grantor is also trustee) | The grantor-trustee ¹ |
| b. So-called trust account that is not a legal or valid trust under state law | The actual owner ¹ |
| 5. Sole proprietorship or single-owner LLC | The owner ³ |
| For this type of account: | Give name and EIN of: |
| 6. Sole proprietorship or single-owner LLC | The owner ³ |
| 7. A valid trust, estate, or pension trust | Legal entity ⁴ |
| 8. Corporate or LLC electing corporate status on Form 8832 | The corporation |
| 9. Association, club, religious, charitable, educational, or other tax-exempt organization | The organization |
| 10. Partnership or multi-member LLC | The partnership |
| 11. A broker or registered nominee | The broker or nominee |
| 12. 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 |

¹ 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.

² Circle the minor's name and furnish the minor's SSN.

³ You must show your individual name and you may also enter your business or "DBA" name on the second name line. You may use either your SSN or EIN (if you have one). If you are a sole proprietor, IRS encourages you to use your SSN.

⁴ List first and circle the name of the legal 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 regarding partnerships* on page 1.

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.

Privacy Act Notice

Section 6109 of the Internal Revenue Code requires you to provide your correct TIN to persons who must file information returns with the IRS to report interest, dividends, and certain other income paid to you, mortgage interest you paid, the acquisition or abandonment of secured property, cancellation of debt, or contributions you made to an IRA, or Archer MSA or HSA. The IRS uses the numbers for identification purposes and to help verify the accuracy of your tax return. The IRS may also provide this information to the Department of Justice for civil and criminal litigation, and to cities, states, the District of Columbia, and U.S. possessions to carry out their tax laws. We may also disclose this information to other countries under a tax treaty, to federal and state agencies to enforce federal nontax 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. Payers must generally withhold 28% of taxable interest, dividend, and certain other payments to a payee who does not give a TIN to a payer. Certain penalties may also apply.