

After recording please return to:

FHA Case Number: **123: 4567890-952**

Loan Number: **TX**

_____ [Space Above This Line For Recording Data] _____

**ADJUSTABLE RATE DEED OF TRUST
(Texas Home Equity Conversion)**

NOTICE OF CONFIDENTIALITY RIGHTS: If you are a natural person, you may remove or strike any of the following information from this instrument before it is filed for record in the public records: Your Social Security Number or Your Driver's License Number.

THIS DEED OF TRUST ("Security Instrument") is made on **January 1, 2006**. The trustor is **Joseph Borrower and Jane Borrower** whose address is **123 MAIN STREET, YOUR CITY, TX 01234** ("Borrower"). The trustee is TOMMY BASTIAN, whose address is 15000 SURVEYOR BLVD., ADDISON TX 75001 ("Trustee"). The beneficiary is **SAMPLE LENDER DOCS**, which is organized and existing under the laws of **INCORPORATED**, and whose address is **LENDER ADDRESS, LENDER CITY, LENDER STATE 01234** ("Lender"). Lender is the mortgagee as defined under the Texas Property Code Section 12.017. Borrower has agreed to repay to Lender amounts which Lender is obligated to advance, including future advances, under the terms of a Home Equity Conversion Loan Agreement dated the same date as this Security Instrument ("Loan Agreement"). The agreement to repay is evidenced by Borrower's Adjustable Rate Note dated the same date as this Security Instrument ("Note"). This Security Instrument secures to Lender: (a) the repayment of the debt evidenced by the Note, with interest, and all renewals, extensions and modifications of the Note, up to a maximum principal loan amount of (\$_____); (b) the payment of all other sums, with interest, advanced under Paragraph 5 to protect the security of this Security Instrument or otherwise due under the terms of this Security Instrument; and (c) the performance of Borrower's covenants and agreements under this Security Instrument and the Note. The full debt, including amounts described in (a), (b), and (c) above, if not paid earlier, is due and payable on _____. For this purpose, Borrower irrevocably grants and conveys to Trustee, in trust, with power of sale, the following described property located **YOUR COUNTY** County, Texas:

See Legal Description Attached

which has the address of **123 MAIN STREET, YOUR CITY, TX 01234** ("Property Address");

TOGETHER WITH all the improvements now or hereafter erected on the property, and all easements, rights, appurtenances, and fixtures now or hereafter a part of the property, including a manufactured housing unit. 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"; provided however, that the Property is limited to homestead property as defined as "Principal Residence" in the Loan Agreement.

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

Borrower and Lender covenant and agree as follows:

1. Payment of Principal and Interest. Borrower shall pay when due the principal of, and interest on, the debt evidenced by the Note.

2. Payment of Property Charges. Borrower shall pay all property charges consisting of taxes, ground rents, flood and hazard insurance premiums, and special assessments in a timely manner, and shall provide evidence of payment to Lender, unless Lender pays property charges by withholding funds from monthly payments due to Borrower or by charging such payments to a line of credit as provided for in the Loan Agreement.

3. Fire, Flood and Other Hazard Insurance. Borrower shall insure all improvements on the Property, whether now in existence or subsequently erected, against any hazards, casualties, and contingencies, including fire. This insurance shall be maintained in the amounts, to the extent and for the periods required by Lender or the Secretary of Housing and Urban Development ("Secretary"). Borrower shall also insure all improvements on the Property, whether now in existence or subsequently erected, against loss by floods to the extent required by the Secretary. All insurance shall be carried with companies approved by Lender and any disapproval shall be based upon reasonable and nondiscriminatory grounds that relate solely to the financial soundness of the insurance company, or the insurance company's facility to service the policy. The insurance policies and any renewals shall be held by Lender and shall include loss payable clauses in favor of, and in a form acceptable to, Lender.

In the event of loss, Borrower shall give Lender immediate notice by mail. Lender may make proof of loss if not made promptly by Borrower. Each insurance company concerned is hereby authorized and directed to make payment for such loss to Lender instead of to Borrower and Lender jointly. Insurance proceeds shall be applied to restoration or repair of the damaged Property, if the restoration or repair is economically feasible and Lender's security is not lessened. If the restoration or repair is not economically feasible or Lender's security would be lessened, the insurance proceeds shall be applied first to the reduction of any indebtedness under a Second Note and Second Security Instrument held by the Secretary on the Property and then to the reduction of the indebtedness under the Note and this Security Instrument, subject to any limitation imposed under applicable law, or be held in escrow to be so applied when permissible under applicable law. Any excess insurance proceeds over an amount required to pay all outstanding indebtedness under the Note and this Security Instrument shall be paid to the entity legally entitled thereto.

In the event of foreclosure of this Security Instrument or other transfer of title to the Property that extinguishes the indebtedness, all right, title and interest of Borrower in and to insurance policies in force shall pass to the purchaser.

4. Occupancy, Preservation, Maintenance and Protection of the Property; Borrower's Loan Application; Leaseholds. Borrower shall occupy, establish, and use the Property as Borrower's Principal Residence after the execution of this Security Instrument and Borrower (or at least one Borrower, if initially more than one person are Borrowers) shall continue to occupy the Property as Borrower's Principal Residence for the term of this Security Instrument. "Principal Residence" shall have the same meaning as in the Loan Agreement.

Borrower shall not commit waste or destroy, damage or substantially change the Property or allow the Property to deteriorate, reasonable wear and tear excepted. Borrower shall also be in default if Borrower, during the loan application process, gave materially false or inaccurate information or statements to Lender (or failed to provide Lender with any material information) in connection with the loan evidenced by the Note, including, but not limited to, representations concerning Borrower's occupancy of the Property as a Principal Residence. If this Security Instrument is on a leasehold, Borrower shall comply with the provisions of the lease. If Borrower acquires fee title to the Property, the leasehold and fee title shall not be merged unless Lender agrees to the merger in writing.

5. Charges to Borrower and Protection of Lender's Rights in the Property. Borrower shall pay all governmental or municipal charges, fines and impositions that are not included in Paragraph 2. Borrower shall pay these obligations on time directly to the entity which is owed the payment. If failure to pay would adversely affect Lender's interest in the Property, upon Lender's request Borrower shall promptly furnish to Lender receipts evidencing these payments. Borrower shall promptly discharge any lien which has priority over this Security Instrument in the manner provided in Paragraph 12(c).

If Borrower fails to make these payments or the property charges required by Paragraph 2, or fails to perform any other covenants and agreements contained in this Security Instrument, or there is a legal proceeding that may significantly affect Lender's rights in the Property (including, but not limited to, a proceeding in bankruptcy, probate, receivership, guardianship, for condemnation or to enforce laws or regulations), then Lender, subject to applicable law, may do and pay whatever is necessary to protect the value of the Property and Lender's rights in the Property, including payment of taxes, hazard insurance and other items mentioned in Paragraph 2.

To protect Lender's security in the Property, Lender shall advance and charge to Borrower all amounts due to the Secretary for the Mortgage Insurance Premium ("MIP") as defined in the Loan Agreement as well as all sums due to the loan servicer for servicing activities ("Servicing Fee") as defined in the Loan Agreement. Any amounts disbursed by Lender under this Paragraph are obligatory and shall become an additional debt of Borrower as provided for in the Loan Agreement and shall be secured by this Security Instrument.

6. Inspection. Lender or its agent may enter on, inspect or make appraisals of the Property in a reasonable manner and at reasonable times provided that Lender shall give Borrower notice prior to any inspection or appraisal specifying a purpose for the inspection or appraisal which must be related to Lender's interest in the Property. If the Property appears to be vacant or abandoned or the loan is in default, Lender may take reasonable action to protect and preserve such vacant or abandoned Property without notice to Borrower. Any expenditures made in connection with the protection and preservation of the Property may be paid with Loan Advances, as defined in the Loan Agreement, and added to the outstanding balance to the extent the expenditures are for any of the following Borrower obligations: (a) taxes; (b) insurance; (c) costs of repairs or maintenance performed by a person or company that is not an employee of Lender or a person or company that directly or indirectly controls, is controlled by, or is under common control with Lender; (d) assessments levied against the Principal Residence; and (e) any lien that has, or may obtain, priority over Lender's lien as it is established in the Loan Documents, as defined in the Loan Agreement. Although Lender may take action under this Paragraph 6, Lender does not have to do so.

7. Condemnation. The proceeds of any award or claim for damages, direct or consequential, in connection with any condemnation, or other taking of any part of the Property, or for conveyance in place of condemnation shall be paid to Lender. The proceeds shall be applied first to the reduction of any indebtedness under a Second Note and Second Security Instrument held by the Secretary on the Property, and then to the reduction of the indebtedness under the Note and this Security Instrument, subject to any limitation imposed under applicable law, or be held in escrow to be so applied when permissible under applicable law. Any excess proceeds over an amount required to pay all outstanding indebtedness under the Note and this Security Instrument shall be paid to the entity legally entitled thereto.

8. Fees. Lender may collect fees and charges authorized by the Secretary.

9. Grounds for Acceleration.

(a) **Due and payable:** Lender may require immediate payment in full of all sums secured by this Security Instrument if:

- (i) All Borrowers die; or
- (ii) The Principal Residence (or Borrower's beneficial interest in a trust owning all or part of the Property) is sold or otherwise transferred and no other Borrower retains (A) title to the Property in fee simple; (B) a leasehold under a lease for less than 99 years which is renewable or a lease having a remaining period of not less than 50 years beyond the date of the 100th birthday of the youngest Borrower (or retaining a beneficial interest in a trust with such an interest in the Property); or (C) a life estate in the Property.

(b) **Due and Payable with Secretary Approval.** Lender may require immediate payment in full of all sums secured by this Security Instrument, upon approval of the Secretary, if:

- (i) All Borrowers cease occupying the Property for a period longer than 12 consecutive months without the prior written approval of Lender ; or
- (ii) Borrower: (A) defaults on an obligation specified in the Loan Documents to repair and maintain, pay taxes and assessments on, or insure the Property; or (B) commits actual fraud in connection with the loan; or
- (iii) Borrower fails to maintain the priority of Lender's lien on the Property, after Lender gives notice to Borrower, by promptly discharging any lien that has priority or may obtain priority over Lender's lien within ten (10) days after the date Borrower receives the notice. Lender shall not require immediate payment in full if

Borrower: (A) agrees in writing to the payment of the obligation secured by the lien in a manner acceptable to Lender; (B) contests in good faith the lien by, or defends against enforcement of the lien in, legal proceedings so as to prevent the enforcement of the lien or forfeiture of any part of the Property; or (C) secures from the holder of the lien an agreement satisfactory to Lender subordinating the lien to all amounts secured by Lender's lien on the Property.

- (c) **Notice to Lender.** Borrower shall notify Lender whenever any of the events listed in this Paragraph 9 occur.
- (d) **Notice to Secretary and Borrower.** Lender shall notify the Secretary and Borrower whenever the loan becomes due and payable under this Paragraph 9. Lender shall not have the right to commence foreclosure until Borrower has had thirty (30) days after notice to either:
 - (i) Correct the matter which resulted in this Security Instrument coming due and payable; or
 - (ii) Pay the debt from proceeds of the sale of the Property or from any other sources; or
 - (iii) Sell the Property for the lesser of the balance or 95% of the appraised value and apply the net proceeds of the sale toward the debt; or
 - (iv) Convey the Property to Lender by a deed in lieu of foreclosure, subject to Lender's rights under Section 51.006 of the Texas Property Code.
- (e) **Trusts.** Conveyance of Borrower's interest in the Property to a trust which meets the requirements of the Secretary, or conveyance of a trust's interests in the Property to Borrower, shall not be considered a conveyance for purposes of this Paragraph 9. A trust shall not be considered an occupant or be considered as having a principal residence for purposes of this Paragraph 9.

10. No Deficiency Judgments. Borrower shall have no personal liability for payment of the debt secured by this Security Instrument. Lender may enforce the debt only through sale of the Property. Lender shall not be permitted to obtain a deficiency judgment against Borrower if this Security Instrument is foreclosed. If this Security Instrument is assigned to the Secretary upon demand by the Secretary, Borrower shall not be liable for any difference between the mortgage insurance benefits paid to Lender and the outstanding indebtedness, including accrued interest, owed by Borrower at the time of the assignment.

11. Reinstatement. Borrower has a right to be reinstated if Lender has required immediate payment in full. This right applies even after foreclosure proceedings are instituted. To reinstate this Security Instrument, Borrower shall correct the condition which resulted in the requirement for immediate payment in full. Foreclosure costs and reasonable and customary attorney's fees and expenses properly associated with the foreclosure proceeding shall be added to the Principal Balance, as defined in the Loan Agreement. Upon reinstatement by Borrower, this Security Instrument and the obligations that it secures shall remain in effect as if Lender had not required immediate payment in full. However, Lender is not required to permit reinstatement if: (a) Lender has accepted reinstatement after the commencement of foreclosure proceedings within two (2) years immediately preceding the commencement of a current foreclosure proceeding; (b) reinstatement will preclude foreclosure on different grounds in the future; or (c) reinstatement will adversely affect the priority of this Security Instrument.

12. Lien Status.

- (a) **Modification.** Borrower agrees to extend this Security Instrument in accordance with this Paragraph 12(a). If Lender determines that the original lien status of this Security Instrument is jeopardized under state law (including but not limited to situations where the amount secured by this Security Instrument equals or exceeds the maximum principal amount stated or the maximum period under which Loan Advances retain the same lien priority initially granted to Loan Advances has expired) and state law permits the original lien status to be maintained for future Loan Advances through the execution and recordation of one or more documents, then Lender shall obtain title evidence at Borrower's expense. If the title evidence indicates that the Property is not encumbered by any liens (except this Security Instrument, the Second Security Instrument described in Paragraph 13(a) and any subordinate liens that Lender determines will also be subordinate to any future Loan Advances), Lender shall request Borrower execute any documents necessary to protect the lien status of future

Loan Advances, and Borrower agrees to execute such documents. If state law does not permit the original lien status to be extended to future loan advances, Borrower will be deemed to have failed to have performed an obligation under this Security Instrument

- (b) **Tax Deferral Programs.** Borrower shall not participate in a real estate tax deferral program if any liens created by the tax deferral are not subordinate to this Security Instrument.
- (c) **Prior Liens.** Borrower shall promptly discharge any lien which has priority over this Security Instrument unless Borrower: (i) agrees in writing to the payment of the obligation secured by the lien in a manner acceptable to Lender; (ii) contests in good faith the lien by, or defends against enforcement of the lien in, legal proceedings which in Lender's opinion operate to prevent the enforcement of the lien or forfeiture of any part of the Property; or (iii) secures from the holder of the lien an agreement satisfactory to Lender subordinating the lien to all amounts secured by this Security Instrument. If Lender determines that any part of the Property is subject to a lien which may attain priority over this Security Instrument, Lender may give Borrower a notice identifying the lien. Borrower shall satisfy the lien or take one more of the actions set forth above within ten (10) days of the giving of notice.

13. Relationship to Second Security Instrument.

- (a) **Second Security Instrument.** In order to secure payments which the Secretary may make to or on behalf of Borrower pursuant to Section 255(i)(1)(A) of the National Housing Act and the Loan Agreement, unless otherwise provided by the Secretary, the Secretary has required Borrower to execute a Second Note and a Second Security Instrument on the Property.
- (b) **Relationship of First and Second Security Instruments.** Payments made by the Secretary shall not be included in the debt under the Note unless:
 - (i) This Security Instrument is assigned to the Secretary; or
 - (ii) The Secretary accepts reimbursement by Lender for all payments made by the Secretary.If the circumstances described in (i) or (ii) occur, then all payments by the Secretary, including interest on the payments, but excluding late charges paid by the Secretary, shall be included in the debt under the Note.
- (c) **Effect on Borrower.** Where there is no assignment or reimbursement as described in (b)(i) or (ii) of this Paragraph 13 and the Secretary makes payments to Borrower, then Borrower shall not be required to pay any amounts of principal, interest, and shared appreciation, if any, owed under the Note.
- (d) **No Duty of the Secretary.** The Secretary has no duty to Lender to enforce covenants of the Second Security Instrument or to take actions to preserve the value of the Property, even though Lender may be unable to collect amounts owed under the Note because of restrictions in this Paragraph 13.

14. Forfeiture by Lender. If Lender fails to make Loan Advances as required by the Loan Documents and if Lender fails to cure the default within a reasonable time as required in the Loan Documents after notice, by certified mail, from Borrower, Lender will forfeit all principal and interest advanced under the Note and this Security Instrument. However this forfeiture does not apply if the Note and this Security Instrument is assigned to the Secretary of Housing and Urban Development, or other governmental instrumentality in order to cure the default.

It is the express intention of Lender and Borrower to structure this reverse mortgage loan to conform to the provision of the Texas Constitution applicable to reverse mortgage loans as defined by Section 50(a)(7), Article XVI of the Texas Constitution. If, from any circumstance whatsoever, any promise, payment, obligation or provision of the Note, the Loan Agreement, this Security Instrument or any other loan document involving this reverse mortgage transcends the limit of validity prescribed by applicable law, then any promise, payment, obligation or provision shall be reduced to the limit of such validity, or eliminated as a requirement if necessary for compliance with such law, and such document shall be automatically reformed without the necessity

of the execution of any new amendment or new document.

15. Forbearance by Lender Not a Waiver. Any forbearance by Lender in exercising any right or remedy shall not be a waiver of or preclude the exercise of any right or remedy.

16. Successors and Assigns Bound; Joint and Several Liability. The covenants and agreements of this Security Instrument shall bind and benefit the successors and assigns of Lender. An assignment made in accordance with the regulations of the Secretary of Housing and Urban Development shall fully relieve Lender of Lender's obligations under this Security Instrument. Borrower may not assign any rights or obligations under this Security Instrument or under the Note, except to a trust that meets the requirements of the Secretary. Borrower's covenants and agreements shall be joint and several. However, any person who signs this Security Instrument, but does not execute the Note: (a) is signing this Security Instrument only to mortgage, grant and convey the person's interest in the Property under the terms of this Security Instrument and to comply with the requirements of Section 50(a)(6)(K), Article XVI of the Texas Constitution; (b) is not obligated to pay the sums secured by this Security Instrument and is not to be considered a guarantor or surety; (c) agrees that this Security Instrument establishes a voluntary lien on the homestead and constitutes the written agreement evidencing the consent of each owner and each owner's spouse; (d) is not a Borrower for purposes of Paragraph 9 (a) and (b)(i); and (e) agrees that Lender and Borrower can agree to extend, modify, forbear or make any accommodations with regard to the terms of the Note.

17. Notices. Any notice to Borrower provided for in this Security Instrument shall be given by delivering it or by mailing it by first class mail unless applicable law requires use of another method. The notice shall be directed to the Property Address or any other address all Borrowers jointly designate. Any notice to Lender shall be given by first class mail to Lender's address stated herein or any address Lender designates by notice to Borrower. However, any notice to Lender under Paragraph 14 shall be given by Borrower to Lender by certified mail. Any notice provided for in this Security Instrument shall be deemed to have been given to Borrower or Lender when given as provided in this Paragraph 17.

18. Governing Law; Severability. This Security Instrument shall be governed by Federal law and the law of the jurisdiction in which the Property is located. 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. To this end, the provisions of this Security Instrument and the Note are declared to be severable.

19. Borrower's Copy. Borrower shall be given one conformed copy of the Note, the Loan Agreement and this Security Instrument.

20. Foreclosure; Power of Sale. If Lender requires immediate payment in full under Paragraph 9, Lender may invoke the power of sale and any other remedies permitted by applicable law. Lender shall be entitled to collect all expenses incurred in pursuing the remedies provided in this Paragraph 20, including, but not limited to, reasonable attorneys' fees and costs of title evidence. In the case of an event under Paragraph 9(b), the lien evidenced by this Security Instrument may be foreclosed upon only by a court order. For the purposes of this Paragraph 20, the term "Lender" includes any holder of the Note who is entitled to receive payments under the Note.

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

Trustee shall deliver to the purchaser Trustee's deed conveying indefeasible title to the Property with covenants of general warranty from Borrower. Borrower covenants and agrees to defend generally the purchaser's title to the Property against all claims and demands. The recitals in the Trustee's deed shall be prima facie evidence of the truth of the statements made therein. Trustee shall apply the proceeds of the sale in the following order: (a) to all expenses of

the sale, including, but not limited to, reasonable Trustee's and attorneys' fees; (b) to all sums secured by this Security Instrument; and (c) any excess to the person or persons legally entitled to it.

If the Property is sold pursuant to this Paragraph 20, Borrower or any person holding possession of the Property through Borrower shall immediately surrender possession of the Property to the purchaser at that sale. If possession is not surrendered, Borrower or such person shall be a tenant at sufferance and may be removed by writ of possession or other court proceeding.

21. Lien Priority. The full amount secured by this Security Instrument shall have the same priority over any other liens on the Property as if the full amount had been disbursed on the date the initial disbursement was made, regardless of the actual date of any disbursement. The amount secured by this Security Instrument shall include all direct payments by Lender to Borrower and all other Loan Advances permitted by this Security Instrument for any purpose. This lien priority shall apply notwithstanding any state constitution, law or regulation, except that this lien priority shall not affect the priority of any liens for unpaid state or local governmental unit special assessments or taxes.

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

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

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

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

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

26. Adjustable Rate Feature. Under the Note, the initial stated interest rate of _____ percent (_____%) which accrues on the unpaid principal balance ("Initial Interest Rate") is subject to change, as described below. When the interest rate changes, the new adjusted interest rate will be applied to the total outstanding principal balance. Each adjustment to the interest rate will be based upon the weekly average yield on United States Treasury Securities adjusted to a constant maturity of one year, ("Index") plus a margin. The Index is published in the Federal Reserve Bulletin and made available by the United States Treasury Department in Statistical Release H.15 (519). If the Index is no longer available, Lender will be required to use any index prescribed by the Department of Housing and Urban Development. The new index will have a historical movement substantially similar to the original index, and the new index and margin will result in an annual percentage rate that is substantially similar to the rate in effect at the time the original index becomes unavailable.

Lender will perform the calculations described below to determine the new adjusted interest rate. The interest rate may change on _____, and on the first day of ____ and on that day of each succeeding year, or X the first day of each succeeding month (Change Date) until the loan is repaid in full.

The value of the Index will be determined, using the most recent Index figure available thirty (30) days before the Change Date ("Current Index"). Before each Change Date, the new interest rate will be calculated by adding a margin to the Current Index. The sum of the margin plus the Current Index will be called the "Calculated Interest Rate" for each Change Date. The Calculated Interest Rate will be compared to the interest rate in effect immediately prior to the current Change Date (the "Existing Interest Rate").

- _____ **Annually Adjusting Variable Rate Feature** - The interest rate will never increase or decrease by more than two percentage points (2.0%) on any single Change Date. The interest rate will never be more than five percentage points (5.0%) higher or lower than the initial interest rate stated in Paragraph 2 of this Note.
- X **Monthly Adjusting Variable Rate Feature** - The Calculated Interest Rate will never increase above _____%.

The Calculated Interest Rate will be adjusted if necessary to comply with the rate limitation(s) described above and will be in effect until the next Change Date. At any Change Date, if the Calculated Interest Rate equals the Existing Interest Rate, the interest rate will not change.

27. Obligatory Loan Advances. Lender’s responsibility to make Loan Advances under the terms of the Loan Agreement, including Loan Advances of principal to Borrower as well as Loan Advances for interest, MIP, Servicing Fees, and other charges shall be obligatory.

28. Riders to this Security Instrument. If one or more riders are executed by Borrower and recorded together with this Security Instrument, the covenants of each such rider shall be incorporated into and shall amend and supplement the covenants and agreements of this Security Instrument as if the rider(s) were a part of this Security Instrument.

	Condominium Rider		PUD Rider
	Shared Appreciation Rider		Other

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

Signature:

JOSEPH BORROWER (Borrower)

JANE BORROWER (Borrower)

[Acknowledgment on following page]

State of TEXAS §
 §
County of _____ §

Before me the undersigned authority, on this day personally appeared **Joseph Borrower and Jane Borrower**, known to me (or proved to me through an identity card or other document) to be the person(s) whose name is subscribed to the foregoing instrument, and acknowledged to me that he/she/they executed the same for the purposes and consideration therein expressed.

Given under my hand and seal on this _____ day of _____, 20_____.

(Seal) _____

Notary Public

My Commission Expires:

**ADJUSTABLE RATE NOTE
(Texas Home Equity Conversion)
(Adjusting Variable Rate Feature)**

January 1, 2006

PROPERTY ADDRESS

**123 MAIN STREET
YOUR CITY, TX 01234**

FHA Case Number: **123: 4567890-952**
Loan Number: **TX**

1. DEFINITIONS

"Borrower" means each person signing at the end of this Note. "Lender" means **SAMPLE LENDER DOCS** and its successors and assigns. "Secretary" means the SECRETARY OF HOUSING AND URBAN DEVELOPMENT or his or her authorized representatives.

2. BORROWER'S PROMISE TO PAY: INTEREST

In return for amounts to be advanced by Lender up to a maximum principal amount of (\$_____), to or for the benefit of Borrower under the terms of a Home Equity Conversion Loan Agreement dated **January 1, 2006** ("Loan Agreement"), Borrower promises to pay to the order of Lender a principal amount equal to the sum of all Loan Advances made under the Loan Agreement with interest. All amounts advanced by Lender, plus interest, if not paid earlier, are due and payable on _____. Interest will be charged on unpaid principal at the rate of _____ percent (_____%) per year until the full amount of principal has been paid. The interest rate may change in accordance with Paragraph 5 of this Note. At the end of each month, accrued interest shall be added to and made part of the principal balance as a Loan Advance and shall likewise thereafter bear interest.

3. PROMISE TO PAY SECURED

Borrower's promise to pay is secured by a mortgage, deed of trust or similar security instrument that is dated the same date as this Note and called the "Security Instrument." That Security Instrument protects the Lender from losses which might result if Borrower defaults under this Note.

4. MANNER OF PAYMENT

(A) Time

Borrower shall pay all outstanding principal and accrued interest to Lender upon receipt of a notice by Lender requiring immediate payment in full, as provided in Paragraph 7 of this Note.

(B) Place

Payment shall be made at **LENDER ADDRESS, LENDER CITY, LENDER STATE 01234** or any such other place as Lender may designate in writing by notice to Borrower.

(C) Limitation of Liability

Borrower shall have no personal liability for payment of the debt unless Borrower has committed actual fraud in obtaining the loan. Lender shall enforce the debt only through sale of the Property covered by the Security Instrument ("Property"). If this Note is assigned to the Secretary, the Borrower shall not be liable for any difference between the mortgage insurance benefits paid to Lender and the outstanding indebtedness, including accrued interest, owed by Borrower at the time of the assignment.

(D) Forfeiture by Lender

If Lender fails to make Loan Advances as required by the Loan Documents (this Note, Security Instrument and Loan Agreement) and if Lender fails to cure the default within a reasonable time as required in the Loan Documents after notice, by certified mail, from Borrower, then Lender will forfeit all principal and interest advanced under this Note. However such forfeiture does not apply if this Note is endorsed to the Secretary of Housing and Urban Development, or other governmental instrumentality in order to cure the default.

5. INTEREST RATE CHANGES

(A) Change Date

The interest rate may change on _____ and on ___ that day of each succeeding year, or X the first day of each succeeding month. Change Date means each date on which the interest rate could change.

(B) The Index

Beginning with the first Change Date, the interest rate will be based on an Index. "Index" means the weekly average yield on United States Treasury Securities adjusted to a constant maturity of one year, as made available by the Federal Reserve Board. "Current Index" means the most recent Index figure available 30 days before the Change Date. If the Index (as defined above) is no longer available, Lender will use as a new Index any index prescribed by the Secretary. Lender will give Borrower notice of the new Index.

(C) Calculation of Interest Rate Change

Before each Change Date, Lender will calculate a new interest rate by adding a margin of _____ percentage points to the Current Index. Subject to the limits stated in Paragraph 5(D) of this Note, this amount will be the new interest rate until the next Change Date.

(D) Limits on Interest Rate Changes

_____ **Annual:** The interest rate will never increase or decrease by more than two percentage points (2.0%) on any single Change Date. The interest rate will never be more than five percentage points (5.0%) higher or lower than the initial interest rate stated in Paragraph 2 of this Note. The interest rate will never be greater than N/A%

X **Monthly:** The interest rate will never increase above _____%.

(E) Notice of Changes

Lender will give notice to Borrower of any change in the interest rate. The notice must be given at least 25 days before the new interest rate takes effect, and must set forth (i) the date of the notice, (ii) the Change Date, (iii) the old interest rate, (iv) the new interest rate, (v) the Current Index and the date it was published, (vi) the method of calculating the adjusted interest rate, and (vii) any other information which may be required by law from time to time.

(F) Effective Date of Changes

A new interest rate calculated in accordance with Paragraphs 5(C) and 5(D) of this Note will become effective on the Change Date, unless the Change Date occurs less than 25 days after Lender has given the required notice. If the interest rate calculated in accordance with Paragraphs 5(C) and 5(D) of this Note decreased, but Lender failed to give timely notice of the decrease and applied a higher rate than the rate which should have been stated in a timely notice, then Lender shall recalculate the principal balance owed under this Note so it does not reflect any excessive interest.

(G) Effect of Changes

Lender shall not reduce the amount or number of advances under this Note because of an adjustment in the interest rate.

6. BORROWER'S RIGHT TO PREPAY

A Borrower receiving monthly payments under the Loan Agreement has the right to pay the debt evidenced by this Note, in whole or in part, without charge or penalty. Any amount of debt prepaid will first be applied to reduce the principal balance of the Second Note described in Paragraph 11 of this Note and then to reduce the principal balance of this Note.

All prepayments of the principal balance of this Note shall be applied by Lender as follows:

First, to that portion of the principal balance representing aggregate payments for mortgage insurance premiums;

Second, to that portion of the principal balance representing aggregate payments of servicing fees;

Third, to that portion of the principal balance representing accrued interest due under this Note; and

Fourth, to the remaining portion of the principal balance.

7. IMMEDIATE PAYMENT IN FULL

(A) Death or Sale

Lender may require immediate payment in full of all outstanding principal and accrued interest if:

- (i) All Borrowers die, or
- (ii) The Principal Residence (or Borrower's beneficial interest in a trust owning all or part of the Property) is sold or otherwise transferred and no other Borrower retains (a) title to the Property in fee simple, (b) a leasehold under a lease for less than 99 years which is renewable or a lease having a remaining period of not less than 50 years beyond the date of the 100th birthday of the youngest Borrower (or retaining a beneficial interest in a trust with such an interest in the Property), or (c) a life estate in the Property.

(B) Other Grounds

Lender may require immediate payment in full of all outstanding principal and accrued interest, upon approval by an authorized representative of the Secretary, if

- (i) All Borrowers cease occupying the Property for longer than 12 consecutive months without the prior written approval of the Lender; or
- (ii) Borrower: (a) defaults on an obligation specified in the Loan documents to repair and maintain, pay taxes and assessments on, or insure, the Property; or (b) commits actual fraud in connection with the Loan; or
- (iii) Borrower fails to maintain the priority of Lender=s lien on the Property, after Lender gives notice to Borrower, by promptly discharging any lien that has priority or may obtain priority over the Lender=s lien within ten (10) days after the date Borrower receives the notice. Lender shall not require immediate payment in full if Borrower: (a) agrees in writing to the payment of the obligation secured by the lien in a manner acceptable to Lender; (b) contests in good faith the lien by, or defends against enforcement of the lien in, legal proceedings so as to prevent the enforcement of the lien or forfeiture of any part of the Property; or (c) secures from the holder of the lien an agreement satisfactory to Lender subordinating the lien to all amounts secured by Lender's lien on the Property.

(C) Payment of Costs and Expenses

If Lender has required immediate payment in full as described above, the debt enforced through sale of the Property may include costs and expenses, including reasonable and customary attorney's fees, associated with enforcement of this Note to the extent not prohibited by applicable law. Such fees and costs shall bear interest from the date of disbursement at the same rate as the principal of this Note.

(D) Trusts

Conveyance of a Borrower=s interest in the Property to a trust which meets the requirements of the Secretary, or conveyance of a trust=s interests in the Property to a Borrower, shall not be considered a conveyance for purposes of this Paragraph 7. A trust shall not be considered an occupant for the purposes of this Paragraph 7.

8. WAIVERS

Borrower waives the rights of presentment and notice of dishonor. "Presentment" means the right to require Lender to demand payment of amounts due. "Notice of dishonor" means the right to require Lender to give notice to other persons that amounts due have not been paid.

9. GIVING OF NOTICES

Unless applicable law requires a different method, any notice that must be given to Borrower under this Note will be given by delivering it or by mailing it by first class mail to Borrower at the Property Address above or at a different address if Borrower has given Lender a notice of Borrower=s different address.

Any notice that must be given to Lender under this Note will be given by first class mail to Lender at the address stated in Paragraph 4(B) or at a different address if Borrower is given a notice by Lender of that different address.

10. OBLIGATIONS OF PERSONS UNDER THIS NOTE

If more than one person signs this Note, each person is fully obligated to keep all of the promises made in this Note. Lender may enforce its rights under this Note only through sale of the Property covered by the Security Instrument.

11. RELATIONSHIP TO SECOND NOTE

(A) Second Note

Because Borrower will be required to repay amounts which the Secretary may make to or on behalf of Borrower pursuant to Section 255(i)(1)(A) of the National Housing Act and the Loan Agreement, the Secretary has required Borrower to grant a Second Note to the Secretary.

(B) Relationship of Secretary Payments to this Note

Payments made by the Secretary shall not be included in the debt due under this Note unless:

- (i) This Note is assigned to the Secretary; or
- (ii) The Secretary accepts reimbursements by the Lender for all payments made by the Secretary.

If the circumstances described in (i) or (ii) occur, then all payments by the Secretary, including interest on the payments, shall be included in the debt.

C) Effect on Borrower

Where there is no assignment or reimbursement as described in Paragraph 11 (B)(i) or (ii), and the Secretary makes payments to Borrower, such payments shall be made under the Second Note, and Borrower shall not be required to pay any amount of principal, interest and shared appreciation, if any, owed under this Note.

12. SHARED APPRECIATION

If Borrower has executed a Shared Appreciation Allonge, the covenants of the Allonge shall be incorporated into and supplement the covenants of this Note as if the Allonge were a part of this Note.

13. NO ORAL AGREEMENTS

THIS NOTE CONSTITUTES A "WRITTEN LOAN AGREEMENT" PURSUANT TO SECTION 26.02 OF THE TEXAS BUSINESS AND COMMERCE CODE, IF SUCH SECTION APPLIES. THIS WRITTEN LOAN AGREEMENT REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

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

JOSEPH BORROWER (Borrower)

JANE BORROWER (Borrower)

HOME EQUITY CONVERSION LOAN AGREEMENT

FHA Case Number: **123: 4567890-952**

Loan Number: **TX**

This agreement is made on **January 1, 2006** among **JOSEPH BORROWER AND JANE BORROWER** ("Borrower") and **SAMPLE LENDER DOCS** ("Lender") and the Secretary of Housing and Urban Development ("Secretary").

Article 1 - Definitions

1.1. "Expected Average Mortgage Interest Rate" means the amount indicated on the attached payment plan (Exhibit 1). It is a constant interest rate used to calculate monthly payments to the Borrower throughout the life of the loan.

1.2. Loan Advances means all funds advanced from or charged to Borrower's account under conditions set forth in this Loan Agreement, whether or not actually paid to Borrower.

1.3. Loan Documents means the Note, Second Note, Security Instrument, Second Security Instrument, and this Loan Agreement.

1.4. Maximum Claim Amount means the lesser of the appraised value of the Property or the maximum dollar amount for an area established by the Secretary for a one-family residence under section 203(b)(2) of the National Housing Act (as adjusted where applicable under section 214 of the National Housing Act).

1.5. Note means the promissory note signed by Borrower together with this Loan Agreement and given to Lender to evidence Borrower's promise to repay, with interest, Loan Advances by Lender or Lender's assigns.

1.6. Principal or Principal Balance means the sum of all Loan Advances made as of a particular date, including interest and mortgage insurance premiums.

1.7. Principal Limit means the amount indicated on the attached Payment Plan (Exhibit 1) when this Loan Agreement is executed, and increases each month for the life of the loan at a rate equal to one-twelfth of the mortgage interest rate in effect at that time, plus one-twelfth of one-half of one percent per annum. The Principal Limit is calculated by using factors supplied by the Secretary, which take into account the age of the youngest Borrower, the mortgage interest rate, and the maximum claim amount.

1.8. Principal Residence means Borrower's homestead as defined by Section 41.002 of the Texas Property Code and means the following: (1) if used for the purposes of an urban home or as both an urban home and a place to exercise a calling or business, the homestead of a family or a single, adult person, not otherwise entitled to a homestead, shall consist of not more than ten (10) acres of land which may be in one or more contiguous lots, together with any improvements thereon; (2) if used for the purposes of a rural home, the homestead shall consist of (a) for a family, not more than two hundred (200) acres, which may be in one or more parcels, with the improvements thereon, or (b) for a single, adult person, not otherwise entitled to a homestead, not more than a hundred (100) acres, which may be in one or more parcels, with the improvements thereon; (3) a homestead is considered to be urban if, at the time the designation is made, the property is (a) located within the limits of a municipality or its extraterritorial jurisdiction or a platted subdivision, and (b) served by police protection, paid or volunteer fire protection, and at least three of the following services provided by a municipality or under contract to a municipality: (i) electric; (ii) natural gas; (iii) sewer; (iv) storm sewer; and (v) water. Principal Residence is the dwelling where the Borrower maintains his or her permanent place of abode, and typically spends the majority of the calendar year. A person may have only one Principal Residence at any one time and the Principal Residence must also be Borrower's homestead. The Property shall be considered to be the Principal Residence of any Borrower who is temporarily or permanently in a health care institution as long as the Property is the Principal Residence of at least one other Borrower who is not in a health care institution.

1.9. Property means Borrower's Principal Residence as more fully described in the Security Instrument.

1.10. Second Note means the promissory note signed by Borrower together with this Loan Agreement and given to the Secretary to evidence Borrower's promise to repay, with interest, Loan Advances by the Secretary secured by the Second Security Instrument.

1.11. Second Security Instrument means the mortgage, deed of trust, security deed or other security instrument which is signed by Borrower together with this Loan Agreement, and which secures the Second Note.

1.12. Security Instrument means the mortgage, deed of trust, security deed or other security instrument which is signed by Borrower together with this Loan Agreement and which secures the Note.

Article 2 - Loan Advances

2.1. General. Lender agrees to make Loan Advances under the conditions set forth in this Loan Agreement in consideration of the Note and Security Instrument given by Borrower on the same date as this Loan Agreement.

2.2. Initial Advances.

2.2.1. Loan Advances shall be used by Lender to pay, or reimburse Borrower for, closing costs listed in the Schedule of Closing Costs (Exhibit 2) attached to and made a part of this Loan Agreement, except that Loan Advances will only be used to pay origination fees in an amount not exceeding the greater of \$2,000 or 2 percent of the Maximum Claim Amount, nor shall the Lender charge the Borrower an origination fee in excess of this amount.

2.2.2. Loan Advances shall be used by Lender to discharge the liens on the Property listed in the Schedule of Liens (Exhibit 2) attached to and made a part of this Loan Agreement.

2.2.3. Lender shall pay an initial Loan Advance to Borrower in the amount indicated on the attached Payment Plan (Exhibit 1).

2.2.4. Initial advances required by this Section 2.2 shall be made on the first business day of the month following the loan closing date. However, because Lender must comply with the provisions of 12 CFR Part 226 (Truth in Lending) governing Borrower's right of rescission, if the rescission period has not expired by the first business day of the month following the loan closing date, initial advances will not be made until the first business day of the second month following the loan closing date.

2.3. Set Asides.

2.3.1. Amounts set aside from the Principal Limit shall be considered Loan Advances to the extent actually disbursed or earned by Lender.

2.3.2. Lender shall initially set aside from the Principal Limit the amount indicated on the attached payment plan (Exhibit 1) for repairs to be made in accordance with a Repair Rider attached to and made a part of this Loan Agreement (Exhibit 3).

2.3.3. Lender shall initially set aside from the Principal Limit the amount indicated on the attached payment plan (Exhibit 1) to be applied to payments due for first year property charges consisting of taxes, hazard insurance, ground rents and assessments.

2.3.4. Lender shall initially set aside from the Principal Limit the amount indicated as the Servicing Fee on the attached payment plan (Exhibit 1) to be applied to payment due for a fixed monthly charge for servicing activities of Lender or its servicer. Such servicing activities are necessary to protect Lender's interest in the Property. A servicing fee set aside, if any, is not available to the Borrower for any purpose, except to pay for loan servicing.

2.4. Charges and Fees. Borrower shall pay to Lender reasonable and customary charges and fees as permitted under 24 CFR 206.207(a). Such amounts shall be considered Loan Advances when actually disbursed by Lender. In connection with a line of credit under the Loan Documents, (i) any fees that the Lender charges shall be charged and collected only at the time the line of credit is established, and (ii) the Lender shall not charge a fee in connection with any Loan Advance.

2.5. Monthly Payments.

2.5.1. Loan Advances paid directly to Borrower shall be made in equal monthly payments if requested by Borrower.

2.5.2. Monthly payments shall be calculated for either the term payment plan or the tenure payment plan, as requested by Borrower.

2.5.3. Monthly payments under the term payment plan are made only during a term chosen by Borrower and shall be calculated so that the sum of (i) or (ii) added to (iii), (iv), (v) and (vi) shall be equal to or less than the Principal Limit at the end of the term:

- (i) Initial Advances under Section 2.2 (which include the set asides under Section 2.3), plus any Servicing Fee allocated under Section 2.3.4, or
- (ii) The Principal Balance at the time of a change in payments under Sections 2.8 and 2.9 plus any remaining Servicing Fee under Section 2.3.4, and
- (iii) The portion of the Principal Limit set aside as a line of credit under Section 2.7, including any set asides for repairs (Subsection 2.3.2) and first year property charges (Subsection 2.3.3), and
- (iv) All monthly payments due through the payment term, including funds withheld for payment of property charges under Section 2.10, and
- (v) All mortgage insurance premiums, or monthly charges due to the Secretary in lieu of mortgage insurance premiums, which are due through the payment term (Section 2.13), and

(vi) All interest through the payment term. The Expected Average Mortgage Interest Rate shall be used for this purpose.

2.5.4. Monthly payments under the tenure payment plan shall be calculated as in Subsection 2.5.3 as if there were a payment term with the number of months in the term equal to the sum of 100 minus the age of the youngest Borrower multiplied by 12, but payments shall continue until the loan becomes due and payable as provided in the Loan Documents.

2.5.5. Monthly payments shall be paid to Borrower on the first business day of each month.

2.5.6. If Borrower has requested monthly payments, payments shall be indicated on the attached Payment Plan (Exhibit 1). The Payment Plan may be changed by Borrower as provided in Sections 2.8 and 2.9.

2.5.7. If Lender fails to make Loan Advances as required by the Loan Documents and if Lender fails to cure the default within a reasonable time as required in the Loan Documents after notice, by certified mail, from Borrower, then Lender will forfeit all Principal and interest advanced under the Note. However, such forfeiture does not apply if the Secretary, or other governmental instrumentality, takes an assignment of the loan, in order to cure the default.

2.6. Line of Credit Without Monthly Payments.

2.6.1. Borrower can request Loan Advances under a line of credit payment plan in amounts and at times determined by the Borrower, if the Principal Balance of the loan after the Loan Advance is made is less than or equal to the applicable Principal Limit, excluding any portion of the Principal Limit set aside under Sections 2.3.2 or 2.3.4. The line of credit amount increases at the same rate as the total Principal Limit increases under Section 1.7.

2.6.2. Line of credit payments shall be paid to Borrower within five (5) business days after the Lender has received a written request for payment by Borrower.

2.6.3. Lender may specify a form for line of credit payment requests.

2.6.4. Lender shall provide Borrower with a statement of the account every time a line of credit payment is made. The statement shall include the current interest rate, the previous Principal Balance, the amount of the current Loan Advance, the current Principal Balance after the Loan Advance, and the current Principal Limit.

2.7. Line of Credit with Monthly Payments.

2.7.1. A Borrower may receive monthly payments under either a term or tenure payment plan combined with a line of credit, as indicated on the attached payment plan (Exhibit 1).

2.7.2. Subsections 2.6.2, 2.6.3 and 2.6.4 apply to a line of credit combined with term or tenure payments.

2.7.3. If Borrower combines a line of credit with a term or tenure payment plan, the Principal Limit is divided into: (a) an amount for the line of credit payments, including repair and property charge set asides, (b) an amount for monthly payments which shall be calculated under Subsection 2.5.3 or 2.5.4 and (c) an amount for a servicing fee set aside, if required by Lender under Subsection 2.3.4. Amounts designated for line of credit payments and monthly payments increase independently at the same rate as the total Principal Limit increases under Section 1.7. Borrower can request Loan Advances in amounts and at times determined by Borrower, if the requested amount is less than or equal to the difference between (a) the Principal Limit applicable to the line of credit set aside and (b) the portion of the outstanding Principal Balance attributable to draws on the line of credit, including accrued interest and mortgage insurance premium or monthly charge due to the Secretary, but excluding any portion of the Principal Limit set aside under Subsections 2.3.2 and 2.3.4.

2.7.4. A Borrower receiving monthly payments in combination with a line of credit may prepay the outstanding mortgage balance in accordance with the terms of the Note.

2.8. Change in Payments Generally.

2.8.1. Whenever the Principal Balance of the loan is less than the Principal Limit, Borrower may change from any payment plan allowable under this Loan Agreement to another.

2.8.2. If Borrower requests that monthly payments be made after a change in payment plan, Lender shall recalculate future monthly payments in accordance with Subsections 2.5.3 or 2.5.4.

2.8.3. Lender may charge a fee not to exceed an amount determined by the Secretary whenever payments are recalculated, and in any other circumstances in which Borrower is required to sign a form acknowledging a change in payment plan as provided in Subsection 2.8.5.

2.8.4. Loan Advances under a new payment plan shall be paid to Borrower in the same manner and within the time period required under Sections 2.5, 2.6 or 2.7.

2.8.5. Changes in the Payment Plan must be acknowledged by Borrower by signing a form containing the same information as the attached Payment Plan (Exhibit 1). Lender shall provide a copy of the completed form to Borrower.

2.9. Change in Payments Due to Initial Repairs.

2.9.1. If initial repairs after closing, made in accordance with the Repair Rider, are completed without using all of the repair set aside, Lender shall inform Borrower of the completion and the amount then available to the Borrower to be drawn under a line of credit.

2.9.2. If initial repairs after closing, made in accordance with the Repair Rider, cannot be fully funded from the repair set aside, any additional Loan Advances needed to complete repairs shall be made in the manner provided under Section 2.16.

2.9.3. If initial repairs are not completed when required by the Repair Rider, Borrower shall not request and Lender shall not make any further payments, except as needed to pay for repairs required by the Repair Rider and mandatory Loan Advances under Section 4.5. In order to complete the required repairs, payments shall be made first from the repair set aside, and then in the manner provided under Section 2.16.

2.10. Payment of Property Charges.

2.10.1. If indicated on the attached payment plan (Exhibit 1), Borrower has elected to require Lender to use Loan Advances to pay property charges consisting of taxes, insurance premiums, ground rents and special assessments levied against Borrower's Principal Residence. Borrower may change this election by notifying Lender and at that time Lender shall pay to Borrower any amounts withheld from the Loan Advances to pay property charges.

2.10.2. If Borrower has made the election to require Lender to use Loan Advances to pay property charges under Subsection 2.10.1 and Borrower is receiving monthly payments, Lender shall withhold amounts from each monthly payment and use the amounts withheld to make timely payments of property charges. The amounts withheld shall be calculated as provided in Subsection 2.10.3. Amounts withheld from monthly payments shall not be treated as Loan Advances and shall not bear interest except to the extent actually disbursed by Lender.

2.10.3. Lender shall withhold from each monthly payment an amount to pay (a) taxes and special assessments levied or to be levied against the Property, (b) leasehold payments or ground rents on the Property, and (c) premiums for fire, flood and other hazard insurance required by the Security Instrument. Each monthly withholding for items (a), (b) and (c) shall equal one-twelfth of the annual amounts, as reasonably estimated by Lender. The full annual amount for each item shall be paid by Lender before an item would become delinquent. Lender shall add the amounts for items (a), (b) and (c) to the Principal Balance when paid. If at any time the withholding for item (a), (b), or (c) exceeds the amount of actual property charges, Lender shall pay the excess withholding to Borrower and add it to the Principal Balance. If the total of the withholding for item (a), (b), or (c) is insufficient to pay the item when due, the amount necessary to make up the deficiency on or before the date the item becomes due shall be paid as a Loan Advance in the manner provided under Section 2.16.

2.10.4. If Borrower fails to pay the property charges in a timely manner, and has not elected to have Lender make the payments, Lender shall pay the property charges as a Loan Advance as required under Section 2.16. If a pattern of missed payments occurs, Lender may establish procedures to pay the property charges from Borrower's funds as if Borrower elected to have Lender pay the property charges.

2.10.5. If Borrower has made the election under Subsection 2.10.1 and Borrower is not receiving monthly payments, Lender shall make Loan Advances under the line of credit payment plan as needed to make timely payments of property charges, provided that no such Loan Advance shall exceed the amount permitted by Section 2.6.1.

2.10.6. Lender shall immediately notify any Borrower who has made the election under Subsection 2.10.1 whenever Lender determines that amounts available from monthly payments or line of credit payments will be insufficient to pay property charges.

2.11. Insurance and Condemnation Proceeds. If insurance or condemnation proceeds are paid to Lender, the Principal Balance shall be reduced by the amount of the proceeds not applied to restoration or repair of the damaged Property and the undisbursed loan funds shall be recalculated. At the same time, the Principal Limit also shall be reduced by the amount of the proceeds applied to reduce the Principal Balance. The application of such proceeds in accordance with this Section 2.11 shall be subject to any limitation imposed under applicable law or be held in escrow to be so applied when permissible under applicable law.

2.12. Interest

2.12.1. Interest shall be calculated as provided in the Loan Documents.

2.12.2. Interest shall accrue daily and be added to the Principal Balance as a Loan Advance at the end of each month.

2.13. Mortgage Insurance Premium (MIP); Monthly Charge.

2.13.1. Monthly MIP shall be calculated as provided in 24 CFR Part 206. If the Security Instrument is held by the Secretary or if the Secretary makes Loan Advances secured by the Second Security Instrument, a monthly charge shall be due to the Secretary and shall be calculated in the same manner as MIP.

2.13.2. The full amount of monthly MIP or monthly charge, including any portion of the MIP retained by Lender under 24 CFR 206.109, shall be considered to be a Loan Advance to Borrower on the first business day of the month or the day Lender pays the MIP to the Secretary, if any MIP is due to the Secretary. In the event that the Note becomes due and payable or the Note is prepaid in full after the first business day of the month, Lender may add the accrued MIP to the Principal Balance or the Secretary may add the accrued monthly charge to the Principal Balance.

2.14. Manner of Payment. For purposes of this Section "Borrower" shall not include any person who signed this Loan Agreement but who has a Principal Residence different from the Property. Only a Borrower has a right to receive Loan Advances. Borrower shall choose to receive Loan Advances by either electronic funds transfer to a bank account designated by all Borrowers or by check mailed to an address designated by all Borrowers, except where all Borrowers agree that payment should be made directly to a third party for the benefit of the Borrowers. Borrowers may change the manner of payment by notifying Lender.

2.15. Protection of Property.

2.15.1. If Borrower is in default under the Security Instrument, then Lender may make reasonable expenditures to protect and preserve the Property and these expenditures will be considered Loan Advances as required under Section 2.16.

2.15.2. If Borrower fails to pay governmental or municipal charges, fines or impositions that are not included in Section 2.10 or if there is a legal proceeding that may significantly affect Lender's rights in the Property (such as a proceeding in bankruptcy, for condemnation or to enforce laws or regulations), then Lender may do and pay whatever is necessary to protect the value of the Property and Lender's rights in the Property. These expenditures will be considered Loan Advances as required under Section 2.16.

2.16. Unscheduled Payments. Loan Advances made pursuant to Sections 2.4, 2.9.2, 2.9.3, 2.10.3, 2.10.5, and 2.15, shall be made from a line of credit under Section 2.6, or 2.7, to the extent possible. If no line of credit sufficient to make the Loan Advances exists, any future monthly payments must be recalculated in accordance with Subsection 2.5.3, or 2.5.4, to create a line of credit sufficient to make the Loan Advances.

Article 3 - Late Charge

3.1. Amount Due. Lender shall pay a late charge to Borrower for any late payment. If Lender does not mail or electronically transfer a scheduled monthly payment to Borrower on the first business day of the month or mail or electronically transfer a line of credit payment to Borrower within five (5) business days of the date Lender received the request, the late charge shall be 10 percent of the entire amount that should have been paid to Borrower for that month or as a result of that request. For each additional day that Lender fails to make payment, Lender shall pay interest on the late payment at the interest rate stated in the Loan Documents. If the Loan Documents provide for an adjustable interest rate, the rate in effect when the late charge first accrues shall be used. In no event shall the total charge and interest exceed five hundred dollars (\$500.00). Any late charge shall be paid from Lender's funds and shall not be added to the unpaid Principal Balance.

If Lender has not mailed or electronically transferred to Borrower a scheduled Tenure Payment or a Line of Credit payment required to be paid by Lender to Borrower under the terms of this Loan Agreement on or before the fifth business day after it is due, and thereafter receives written notice from Borrower that such payment has not been received, Lender shall have ten business days after receipt of such notice to cure such default by mailing or electronically transferring such Tenure Payment or Line of Credit payment to Borrower.

3.2. Waiver. The Secretary may waive a late charge where the Secretary determines that the late payment resulted from circumstances beyond Lender's control and that no act or omission of Lender contributed to the late payment. At the time Lender requests a waiver, Lender shall inform Borrower that a waiver of late charge has been requested from the Secretary and that the late charge will be sent to Borrower if the waiver is denied. If the Secretary denies the waiver, Lender shall pay to Borrower the late charge and interest that accrued from the date the payment was late until the date the waiver was requested.

Article 4 - Termination of Lender's Obligation to Make Loan Advances

4.1. Loan Due and Payable. Lender shall have no obligation to make Loan Advances if Lender has notified Borrower that immediate payment in full to Lender is required under one or more of the Loan Documents unless and until the notice is rescinded by Lender.

4.2. Loan Advances by Secretary. If the Security Instrument has been assigned to the Secretary or the Secretary notifies Lender and Borrower that Loan Advances are secured by the Second Security Instrument, Lender shall have no further obligation to make Loan Advances under this Loan Agreement, unless the Secretary accepts later reimbursement by the Lender for all Loan Advances made, earned or disbursed by the Secretary. The Secretary may establish procedures for handling requests for payments and changes in payment plans during the interval between Lender's notification of intent to assign the Security Instrument to the Secretary and completion of the assignment. Borrower shall be informed of such procedures by Lender and/or the Secretary, and Borrower shall comply with such procedures.

4.3. Lien Status Jeopardized. Lender shall have no obligation to make further Loan Advances if Lender or the Secretary determines that the lien status of the Security Instrument or the Second Security Instrument is jeopardized under state laws as described in Paragraph 12(a) of the Security Instrument or Second Security Instrument and the lien status is not extended in accordance with Paragraph 12(a) of the Security Instrument or Second Security Instrument.

4.4. Bankruptcy. Lender shall have no obligation to make further Loan Advances on or following the date that a petition for bankruptcy of Borrower is filed.

4.5. Mandatory Loan Advances. Notwithstanding anything in Sections 4.1. through 4.4., all Loan Advances under Sections 2.10 (property charges), 2.12 (interest), 2.13 (MIP or monthly charge), 2.15 (protection of Property) or 2.3.4 (servicing fee) shall be considered mandatory Loan Advances by Lender.

4.6. Prepayment in Full. Lender shall not make Loan Advances if Borrower has paid the Note in full (or the Second Note, if the Secretary has assumed Lender's rights and obligations under Article 5).

Article 5 - HUD Obligation

If Lender has no further obligation to make payments to Borrower because of Section 4.2, the Secretary shall assume the rights and obligations of Lender under this Loan Agreement, except the Secretary shall not assume any obligation of paying flood, fire and other hazard insurance from Loan Advances. If the Secretary makes Loan Advances to Borrower under the Second Security Instrument, the portion of the Principal Limit available for Loan Advances shall be the difference between the current Principal Limit and the combined Principal Balances on the Security Instrument, less accrued interest, and the Second Security Instrument.

Article 6 - Miscellaneous

6.1. Forbearance Not a Waiver. Any forbearance by Lender in exercising any right or remedy shall not be a waiver of or preclude the exercise of any right or remedy.

6.2. Successors and Assigns Bound; Joint and Several Liability; Co-Signers. The covenants and agreements of this Loan Agreement shall bind and benefit the successors and assigns of Lender. An assignment made in accordance with the regulations of the Secretary shall fully relieve Lender of its obligations under this Loan Agreement. Borrower may not assign any rights or obligations under this Loan Agreement. Borrower's covenants and agreements shall be joint and several.

6.3. Notices. Any notice to Borrower provided for in this Loan Agreement shall be given by delivering it or by mailing it by first class mail unless applicable law requires use of another method. The notice shall be directed to the property address shown in the Security Instrument or any other address all Borrowers jointly designate. Any notice to Lender shall be given by first class mail to Lender's address stated herein or any address Lender designates by notice to Borrower. However, any notice to Lender under Subsection 2.5.7 or any notice provided for in any right to cure provision in the Loan Documents, shall be given by Borrower to Lender by certified mail return receipt requested. Any notice to the Secretary shall be given by first class mail to the HUD Homeownership Office with jurisdiction over the Property or any other place designated by the Secretary. Any notice provided for in this Loan Agreement shall be deemed to have been given to Borrower, Lender or the Secretary when given as provided in this Section.

6.4. Governing Law; Severability. This Loan Agreement shall be governed by Federal law and the law of the jurisdiction in which the Property is located. In the event that any provision or clause of this Loan Agreement conflicts with applicable law, such conflict shall not affect other provisions of this Loan Agreement which can be given effect without the conflicting provision. To this end, the provisions of this Loan Agreement are declared to be severable.

6.5. Copies. Lender, Borrower and the Secretary shall each receive one original executed copy of this Loan Agreement when signed by the Secretary.

6.6. When Agreement Becomes Binding. This Loan Agreement shall bind Lender and Borrower when both Lender and Borrower have signed it, whether or not the Secretary signs this Loan Agreement. This

Loan Agreement shall bind the Secretary only when and if the Secretary has signed and a Mortgage Insurance Certificate is issued for the Security Instrument.

6.7. Counseling. Borrower attests that he/she has received counseling regarding the advisability and availability of reverse mortgages and other financial alternatives.

6.8. Unilateral Amendments. Neither the Lender nor the holder of any outstanding lien or debt shall unilaterally amend the terms of the Loan Documents.

6.9. Prohibition on the Use of Certain Devices. Borrower shall not use a credit card, debit card, solicitation check, or similar device to obtain advances under any line of credit under the Loan Documents.

BY SIGNING BELOW the parties accept and agree to the terms contained in this Loan Agreement and the exhibits attached hereto.

JOSEPH BORROWER (Borrower)

JANE BORROWER (Borrower)

SAMPLE LENDER DOCS

By: _____
Title:

Secretary of Housing and Urban Development

By: _____
Title:

**EXHIBIT 1
PAYMENT PLAN**

Date of Payment Plan: **January 1, 2006**
 FHA Case Number: **123: 4567890-952**
 Loan Number: **TX**

Name of Lender: **SAMPLE LENDER DOCS**

Name of Borrower(s)	Birth Date
JOSEPH BORROWER	January 1, 1910
JANE BORROWER	February 1, 1920

Expected Average Mortgage Interest Rate _____%

1.	Principal Limit	\$ _____
	Initial Payments (if completed at closing):	
2.	Closing Costs	\$ _____
3.	Discharge of Liens	\$ _____
4.	Outstanding Balance (If completed after closing)	\$0.00
5.	Loan Advance	\$ _____
6.	Servicing Fee Set Aside	\$ _____
7.	Total Deductions from Principal Limit (Lines 2 + 3 + 4 + 5 + 6)	\$ _____

8.	Principal Limit for Line of Credit	\$ _____
	Funds in Line of Credit Designated For:	
9.	Repairs	\$ _____
10.	First Year Property Charges	\$ _____
11.	Outstanding Balance on Line of Credit from previous payments	\$ _____
12.	Total Deductions from Principal Limit for Line of Credit (Lines 9 + 10 + 11)	\$ _____
13.	Funds Available to Borrower in Line of Credit (Lines 8 - 12)	\$ _____

14.	Net Principal Limit (Lines 1 - 7 - 9 - 10)	\$ _____
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15.	Net Principal Limit Available for Monthly Payments (Lines 14 - 13)	\$ _____
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Scheduled Payments:

16.	<input type="checkbox"/> Term (Remaining) N/A Years and N/A Months.	
	or	
17.	<input checked="" type="checkbox"/> Tenure (Check only one plan)	
18.	Monthly Payment (Total)	\$ _____
19.	Monthly Withholding (T & I)	\$ _____
20.	Net Monthly Payment (Lines 18 - 19)	\$ _____

BY SIGNING BELOW, the borrower(s) agree(s) that this document accurately describes the principal features of the current payment plan chosen by the borrower(s).

_____	_____
JOSEPH BORROWER	Date

_____	_____
JANE BORROWER (Borrower)	Date

EXHIBIT 2

SCHEDULE OF LIENS

SCHEDULE OF CLOSING COSTS

See HUD-1 Settlement Statement

JOSEPH BORROWER

Date

JANE BORROWER (Borrower)

Date

EXHIBIT 3
REPAIR RIDER TO LOAN AGREEMENT

FHA Case Number: **123: 4567890-952**

TX

THIS REPAIR RIDER is made on **January 1, 2006**, and is incorporated into and shall be deemed to supplement the Loan Agreement of the same date made by the undersigned Lender and the undersigned Borrower and the Secretary of Housing and Urban Development ("Secretary").

I. Lender's Promises

- A. The Lender shall set aside \$_____ from the initial Principal Limit under the Loan Agreement to be used for the purpose of bringing the Property up to the property standards required by the Secretary by repairing:
Your Repair Rider Description goes here
- B. The Lender may charge a repair administration fee not to exceed the greater of fifty dollars (\$50) or 1.5% of the amounts advanced by Lender under this Repair Rider. This fee shall be added to the Principal Balance as each Loan Advance is made.
- C. The Lender shall require one or more inspections by a HUD-approved inspector during the course of the repair work. The Lender shall not release any funds for work which is not complete and which is not approved by a HUD-approved inspector. A compliance inspection fee of approximately \$75.00 may be imposed by Lender to ensure that the repairs are performed correctly. The Lender certifies by executing this Repair Rider that the repairs which are funded under this Repair Rider will be completed in a manner to meet property standards required by the Secretary as determined by a HUD-approved inspector.
- D. The Lender shall ensure that all mechanic's liens and materialmen's liens are released of record prior to an advance of escrowed funds under this Repair Rider. The Lender may require the Borrower to obtain acknowledgment of payment and releases of lien from all contractors, subcontractors, and materialmen. Such acknowledgments and releases shall be in the form required by local laws and shall cover all work done, labor performed and materials (including equipment and fixtures) furnished for the project.
- E. Until a HUD-approved inspector finds that all repairs required by Section I.A. of this Repair Rider have been completed in a satisfactory manner, the Lender shall not release funds in excess of (i) the total value of work satisfactorily completed, and (ii) the value of materials or equipment delivered to, and suitably stored at, the site but not yet incorporated in the work, less (iii) ten percent holdback, less (iv) prior advances under this Repair Rider.
- F. Lender shall release the funds to Borrower and the contractor(s) jointly when permitted by Section I. C. of this Repair Rider and shall add the cost of the repairs to the Principal Balance under the Loan Agreement.

II. Borrower's Promises

- A. The Borrower will complete all repairs required by Section I.A. of this Repair Rider so that the Property meets the property standards required by the Secretary as determined by a HUD approved inspector.
- B. Borrower shall cause work to begin on _____. Borrower shall have work completed by _____. Work is to be performed with reasonable diligence. Should Borrower fail to comply with these terms, until all repair work is satisfactorily completed Borrower shall not request and Lender shall not make any further payments under the Loan Agreement except for payment of repairs required by Section I.A. of this Repair Rider and Loan Advances required under Section 4.5. of the Loan Agreement.
- C. Borrower will cause all improvements to be made in a workmanlike manner and in accordance with all applicable statutes and regulations. All licenses, permits and privileges required by local governmental authorities to rehabilitate the property will be obtained by the Borrower(s) or his/her contractor.
- D. Borrower will furnish such records, contracts, bills and other documents relating to the Property and improvements as the Lender or the Secretary may require.
- E. Without prior written consent of Lender, no materials, equipment, fixtures or any part of improvements financed with this loan shall be purchased or installed subject to conditional sales contracts, security agreements, lease agreements or other arrangements whereby title is retained or the right is reserved or accrues to anyone to remove or repossess any item, or to consider it as personal property.

JOSEPH BORROWER

JANE BORROWER (Borrower)

SAMPLE LENDER DOCS (Lender)

By: _____

Title:

Secretary of Housing and Urban Development

By: _____

Title: