

Albert H. Bangert Student Scholarship/Loan Fund



2015-2016 Student Loan Application

Please return this application, with required documentation attached, to:

Administrator, A. H. Bangert Student Scholarship/Loan Fund
Craven County Board of Education
3600 Trent Road
New Bern, NC 28562

ALBERT H. BANGERT STUDENT LOAN GENERAL INFORMATION

PURPOSE OF LOAN FUND:

The purpose of the Albert H. Bangert Memorial Student Loan Fund is to provide financial aid to needy students who have demonstrated potential ability to become useful citizens by furthering their formal education. In considering an application, the committee will be guided by the applicant's financial need, character, scholarship, mental ability, habits of study, and attitude toward the duties and obligations of society. No student is encouraged to become burdened with debt unless he/she has definite purpose in continuing his/her formal education. Since the amount of loan fund money available under the Albert H. Bangert Student Loan Fund is limited, the Loan Fund Committee has the responsibility to assist the most needy and worthy applicants while preserving and augmenting the funds for the service of coming generations.

QUALIFICATIONS FOR LOANS:

1. Applicant must be a high school graduate of Craven County Schools, or be on track to graduate in the spring of 2015.
2. Applicant must have a cumulative grade point average of 2.5 or better.
3. Applicant must have been formally accepted for admission to an accredited college or other approved school as a full-time student.
4. Applicant must have documentation of sufficient collateral as shown by a Deed of Trust on real property assigned to the Loan Fund.

APPLICATION PROCESS:

Please allow at least four weeks for this application to be processed. Follow all directions carefully to complete this application form. All fields are required.

Application must be signed by both applicant and co-signers.

1. Make copies of all documents for your records, and turn in this completed application with the following information:
 - Your certified high school transcript, which must include your grades from the first semester of your senior year, or, if you have already attended college, a certified transcript from the college/university where you are enrolled.
 - A copy of your acceptance letter from the college or university you plan to attend, or, if you already attend college, a copy of your expected class schedule for the upcoming semester. (The acceptance letter will be printed on letterhead, and signed by the registrar.)
 - A copy of the most recent year's Craven County Tax Appraisal, **or** formal appraisal, on the property that the Deed of Trust will cover. (If a Deed of Trust has been previously processed for the Albert H. Bangert Loan Fund, this is not necessary.)
 - A letter from the mortgage company indicating the amount owed if there is currently a mortgage on the property that the Deed of Trust will cover. (If a Deed of Trust has been previously processed for the Albert H. Bangert Loan Fund, this is not necessary.)
2. Forward all these documents in a sealed envelope, with your name in the upper left hand corner, to:

Albert H. Bangert Scholarship/Loan Fund
Attention: Administrator
Craven County Board of Education
3600 Trent Road
New Bern, North Carolina 28562
3. Once the application is received, your application will be formally presented to the Board of Education (normally the third Thursday of each month, except for July). When approved, you will receive a mailing that will include information about the Promissory Note and the Deed of Trust. It will be your responsibility to contact an attorney and proceed with this process. Note carefully all of the terms and conditions of the Deed of Trust, including, but not limited to, the clause about fire insurance on the property. The Promissory Note should be signed by the student, both co-signers, and a third party, and forwarded to the Administrator of the Bangert Loan Fund, along with the Deed of Trust.
4. Once the Promissory Note and the Deed of Trust are turned over to the Administrator, your loan check will be processed. Checks are ready for disbursement on or after August 1.

TERMS OF LOANS:

1. Loans are made on a one-year basis, and each additional loan requires a new application to be considered on its own merits.
2. All loans shall be secured with a Promissory Note and a Deed of Trust on real property owned in Craven County.
3. **Per year maximum** loan payments cannot be exceeded:
 - A. **Per year:** maximum loan for a fulltime student (12 semester hours or more) at a two (2) year institution or a community college - \$1,500
 - B. **Per year:** maximum loan for a fulltime student (12 semester hours or more) at a four (4) year institution - \$3,500
4. **Total maximum** loan payments cannot be exceeded:
 - A. Students attending a Two Year Institution/Community College cannot have a total that exceeds \$3,000.
 - B. Students attending a Four Year Institution cannot have a total that exceeds \$14,000.
 - C. All loans requested (after the \$14,000 maximum has been reached) for work on a Masters and/or Ph.D. Program shall be considered on a case by case basis. Sufficient collateral shall be required.
5. Promissory Notes must be signed by applicant and co-signers. If the student is married, the signature of the spouse is required. The Board of Education reserves the right to secure a credit report on all signers.
6. Since the loan is secured by a Deed of Trust on real property, it will be necessary to assign fire insurance on the property to the Albert H. Bangert Loan Fund for the period of the loan.
7. If the Bangert Loan Program accepts a second or third position on a mortgage, the outstanding balances and loan amount to tax value and/or appraised ratio shall be no more than 85%.
8. Funds borrowed shall be disbursed to the student on a semester basis with the first payment on or about August 1 and the second on or about December 1.

REPAYMENT OF LOANS:

1. In obtaining a loan from the Albert H. Bangert Loan Fund, a student agrees to:
 - a. Answer promptly all notices and letters relating to the loan.
 - b. Keep the Administrator of the Loan Fund informed of his/her student status and address as long as any part of the loan remains unpaid.
 - c. Notify the Administrator of the Loan Fund immediately upon graduation or withdrawal from college.
 - d. Repay the loan according to its terms.
2. **No payments are required on principal, and interest will not be charged, while the student is actually in college and satisfactorily pursuing the courses for which the loan is granted. (Transcripts must be submitted annually).**
3. Interest (ONLY) will be charged beginning with the quarter following the student's graduation or withdrawal from college and will be charged at the rate of 6% per annum on any unpaid amounts. Interest will be billed quarterly.
4. If student is still enrolled as a full-time student after the allotted four years, a request for deferment of interest and principal payments must be made formally. Information concerning deferment can be obtained by calling the office of the Administrator.
5. Payments against principal will begin twelve months after the student's graduation or withdrawal from school. Payments against principal shall be at least 5% of the total loan on those loans of \$6,000 or less (5 year repayment plan) and shall be made quarterly. Loans over \$6,000 are to be repaid in 7 years. Interest will be billed quarterly on the declining principal balance.
6. In the event of default in payment of any installment of principal or interest, and if the default is not made good within fifteen days, the Board of Trustees may, without notice, declare the remainder of the debt at once due and payable. Failure to exercise this option shall not constitute a waiver of the right to exercise the same at any other time.
7. Interest and payments against principal may be suspended while students are engaged in intern programs regularly a part of the profession for which the applicant is preparing.
8. All payments on principal and interest shall be made to the Albert H. Bangert Student Loan Fund, Craven County Schools, 3600 Trent Road, New Bern, North Carolina 28562. **Name of student and account number must be on all correspondence.**

Albert H. Bangert Student Scholarship/Loan Fund



2015-2016 Student Loan Application

Please return this application, with required documentation attached, to:

Administrator, Albert H. Bangert Student
Scholarship/Loan Fund
Craven County Board of Education
3600 Trent Road
New Bern, NC 28562

**Albert H. Bangert Student Loan
APPLICATION PROCESS**

(Summarized from CCS Policy # 1000.1023)

(If you are a senior in high school or a student with no previous loans)

1. Student downloads loan application and information or contacts the Loan Administrator to receive a loan application packet. Student and co-signers review all information found in the packet, fill in all fields in the application, and collect all other documentation as outlined in the application.
2. Student and co-signers forward the following documents in a sealed envelope, with the student's name in the upper left corner, to the Administrator: *(Hint: Keep a copy for your records!)*
 - a. Original Loan Application completed in full and signed by student and co-signers.
 - b. Certified high school transcript which must include the student's grades through the first semester of the senior year, and, if the student has already attended college classes, a certified transcript from the college attended. *(Student must have a cumulative weighted GPA of 2.5 or better)*
 - c. A copy of the student's acceptance letter from an accredited college or university. *(The acceptance letter will be printed on letterhead and signed by the registrar.)*
 - d. A copy of the most recent year's Craven County Tax Appraisal, or formal appraisal (if available) on the property that the deed of trust will cover.
 - e. A letter from the mortgage company indicating the amount owed if there is currently a mortgage on the property *(Property must be real property preferably located in Craven County, and if the Bangert Loan Program accepts a second or third position on a mortgage, the outstanding balances and loan amount to tax value and/or appraised ratio shall be no more than 85%.)*
3. Administrator reviews all documents, and notifies student of any discrepancies.
4. Administrator assigns an account number to the student and submits the application to the Board of Education (Trustees) for approval at a regularly scheduled Board Meeting, normally the third Thursday of each month. (Application must be received by the first day of the month to be submitted that month.)
5. Administrator notifies student of Board's decision.
6. If approved, student and co-signers contact an attorney to begin process of assigning a Deed of Trust to cover amount requested. (Most families anticipate the student attending college for a minimum of four years, and will want to request additional loans for these subsequent years. In order to prevent processing fees for a new Deed of Trust each year, the initial Deed of Trust can cover up to \$14,000.00 [i.e.: \$3500.00 per year X 4 years = \$14,000.00] with the funds being disbursed only if a new application is received and a new Promissory Note is signed, each year. In this case, the final due date should be no longer than 12 years from time of execution. Even if the Deed of Trust covers up to \$14,000.00, there is no obligation for the student to borrow additional funds each year.)

7. Administrator forwards the Promissory Note to student's attorney, who proceeds with executing and registering the Deed of Trust. The attorney should contact Mr. Brian Gatchel of the firm White and Allen, PA, for a Deed of Trust template.
8. Student and co-signers secure a third person to serve as witness, sign Promissory Note, and make a copy for their records. Promissory Note is returned to Administrator in a sealed envelope along with registered Deed of Trust.
9. One-half of the requested funds are disbursed to the student on or after August 1. Student is required to make an appointment with the administrator and show picture identification to receive the monies. The remaining balance will be mailed to the student's home address as of December 1 of the same year.
10. Student must submit certified transcripts at the end of each academic year to verify that the cumulative GPA remains above 2.0 for the freshman year, and above 2.5 each undergraduate year after that.

(For additional loans in subsequent school years, the student must submit new applications, and sign additional Promissory Notes – see section “Loan Process – Additional Loans with previous Deed of Trust on Record”)

11. Student may begin cash payments at any time and there are no penalties for early pay-offs. However, student **must** begin repayment in July following the fourth year after high school.
 - a. For the first year the student is out of school, (either as a college graduate or having withdrawn without degree) only the 6% interest is charged.
 - b. After the first year out of college, (maximum fifth year after high school graduation) student is expected to begin repaying the principal as well as continue paying interest.
 - c. Interest remains at 6% of the declining principal balance.
 - d. Students who have total loans equaling \$6,000.00 or less are to repay in 5 years, while students who accumulate more than \$6,000.00 in total loans are to repay in 7 years.
 - e. Statements outlining the minimum amounts due to pay off in the designated time period are sent to students quarterly (4 times per year). Payments may be made at any time, (weekly, monthly, or quarterly).
12. A student who is still enrolled as a full-time student after the first 4 years may formally request deferment of the loan payments by contacting the Administrator. Interest will continue to accrue until the formal request is processed, and such accrued interest must be paid before the deferral period begins. Transcripts must be submitted as before.

Albert H. Bangert Student Scholarship/Loan Fund



2015-2016 Student Loan Application

FOR ADMINISTRATIVE USE ONLY:

Date Received _____

Board Approval Date _____

Board Approval Number _____

Student Account Number _____

Application Status: Initial Renewal

Previous Loan Amount \$ _____

Please return this application, with required documentation attached, to:

Administrator, Albert H. Bangert Student Scholarship/Loan Fund
 Craven County Board of Education
 3600 Trent Road
 New Bern, NC 28562

(PLEASE PRINT LEGIBLY – ALL FIELDS ARE REQUIRED)

STUDENT INFORMATION

Full Legal Name	Last:	First	Middle	Called Name	
Permanent Address	Number/Street	City	State	Zip	
Mailing Address (if different from above)				Zip	
Phone Number(s) ()	Date of Birth (Mo./Day/Yr.) ____/____/____		Place of Birth	Country of Citizenship	
High School (circle one) CECHS ECE HHS NBHS WCHS	Guidance Counselor , (only if applying for Freshman Year loan)		High School Graduation Date		
College/University attending 2015-2016	Proposed Major Area(s) of Study		College/University Web Site Address		
College Classification for year loan is to be used: (Circle one) Freshman <input type="checkbox"/> Sophomore <input type="checkbox"/> Junior <input type="checkbox"/> Senior <input type="checkbox"/> Grad School <input type="checkbox"/>				Anticipated College/Grad School Graduation Date:	
MARRIED? <input type="checkbox"/> NO <input type="checkbox"/> YES	If Yes, Spouse's Name		Spouse's Address		
Spouse's Additional Information:	Employer:	Position With Firm	Year's with Firm	Annual Salary	Phone(s)
Name of nearest relative not living with you:		Address of this relative:			
		Street:			
Relation:	Telephone of Relative		City, State, Zip:		

PARENT/CO-SIGNER INFORMATION

The trustees reserve the right to secure a credit report on all signers, and thus additional information may be required.

(MALE CO-SIGNER OF ALL LOAN DOCUMENTS)		(FEMALE CO-SIGNER OF ALL LOAN DOCUMENTS)	
FATHER	SPOUSE	MOTHER	SPOUSE
PLEASE INDICATE RELATIONSHIP		PLEASE INDICATE RELATIONSHIP	
Full Name		Full Name	
Address		Address	
No. of Years at above address:	Phone	No. of Years at above address:	Phone
Employed By:		Employed By:	
Occupation/Position:		Occupation/Position:	

Years With Firm:	Annual Salary: \$	Years With Firm:	Annual Salary: \$
If either Male or Female Co-Signer information is omitted above, please explain:			

LOAN INFORMATION

Amount of Loan Requested for 2015-2016 Academic Year: (circle one)	\$3,500.00	\$1,500.00	School term for this loan: (circle all that apply)	Fall 2015 Spring 2016
To determine maximum amount, use the following information. If you are going to be a:				
Fulltime Student, (12 semester hours or more) at a four (4) year institution			Maximum loan allowed for one year: \$3,500.00	Maximum amount to be accumulated over 4 years: \$14,000.00
Full time Student (12 semester hours or more) at a two (2) year institution			Maximum loan allowed for one year: \$1,500.00	Maximum amount to be accumulated over 2 years: \$3,000.00
<i>All cumulative loans over \$14,000.00 for work on a Masters or Ph.D. Program shall be considered on a case-by case basis. Additional collateral shall be required.</i>				

COLLATERAL INFORMATION

As per Craven County Schools Policy #1000.1023.0101, all loans shall be secured with a Promissory Note and a Deed of Trust on real property, preferably in Craven County. Promissory Notes must be signed by applicant, parents, and a third party. If the student is married, the signature of the spouse is required. The Board of Education reserves the right to secure a credit report on all signers. If the Bangert Loan Program accepts a second or third position on a mortgage, the outstanding balances and loan amount to tax value and/or appraised ratio shall be no more than 85%. Since each loan is secured by a Deed of Trust on property, it will be necessary to assign fire insurance on the property to the Albert H. Bangert Loan Fund for the period of the loan.

Check and complete in full either line 1 OR line 2 below, and follow instructions to complete application:

1.	<input type="checkbox"/>	a. I have previously borrowed funds from the Bangert Loan Fund, and a Deed of Trust is on file. [If this line (a-d) is completed, go to <i>Certification and Signatures</i> section.]	b. Years(s) of previous loans: Academic Year ____/____ Academic Year ____/____ Academic Year ____/____	c. Cumulative principal amount owed: \$ _____	d. My Account #: _____
2.	<input type="checkbox"/>	This is my initial loan request. (If this box is checked, fill out lines a-e <u>before</u> completing <i>Certification and Signatures</i> section.)			
a.	Property to be used as security:		House & Land Land Other: _____	Name(s) as listed on Deed:	
b.	Specific and Complete Address of Property:		Number Street	City State Zip	
c.	Year Purchased: _____	Present Value: \$ _____	Unpaid Amount of Mortgage: \$ _____	Most recent appraisal date: _____/_____/_____	
d.	Name and Address of Mortgage Company or Bank				
e.	Name and contact information of attorney who will process Deed of Trust and Promissory Note				

CERTIFICATION AND SIGNATURES

I solemnly affirm the correctness of the foregoing answers and promise to use the loan granted me for no other purpose than the necessary expenses of continuing my education. I understand the terms of repayment of the Albert H. Bangert Student Loan Fund and agree to conform to the same. If the loan is made to me, I further promise:

1. To answer promptly all notices and letters relating thereto.
2. To keep the Treasurer of the Albert H. Bangert Fund informed of my address as long as any part of my indebtedness to this fund remains unpaid.
3. To repay the Loan according to its terms.
4. To authorize the Bangert Loan Administrator to check my credit and employment history.
5. To answer questions about my credit experience.
6. To submit a copy of the course registration each semester/quarter to verify enrollment in school.
7. To submit a copy of my academic report at the end of each semester/quarter.

Student Signature _____ Printed Name _____ Date _____

Parent/Spouse Signature _____ Printed Name _____ Date _____

Parent/Spouse Signature _____ Printed Name _____ Date _____

WHAT IS A DEED OF TRUST?

DEFINITION: A deed of trust is a special kind of deed that is recorded in public records, where it tells everyone that there is a lien on your property. It is used in place of a mortgage.

A deed of trust involves three parties. You as the trustor, the lender as the beneficiary, and a neutral third party as the trustee, who you can think of as someone who holds temporary (but not full) title until the lien is paid. When you sign a deed of trust, you in effect are giving a trustee title (ownership) of the property, but you hold the rights and privileges to use and live in or on the property. The trustee holds the original deed for the property until you repay the loan. Unlike a mortgage, a deed of trust also gives the trustee the right to foreclose on your property without taking you to court first.

The deed of trust is cancelled when the debt is paid. Lenders can bypass judicial foreclosure when a deed of trust is in place, because the trustee has the power to foreclose.

What Do All These Terms Mean?

Note: The information below is a general statement of the law of deeds and is applicable in most states. However, state laws may vary the general statement slightly or to a large degree. The discussion below is intended as general and not as applicable to a particular state. The actual forms will reflect the requirements of your state.

Types of Deeds:

Warranty Deed - If a deed is intended to be a general warranty deed, it should contain a phrase specified by state law such as the phrase "conveys and warrants". These words, called operative words of conveyance, carry with them several warranties that the grantor is making to the grantee. Examples of the warranties are:

First, the grantor warrants that the grantor is the lawful owner of the property at the time the deed is made and delivered and that the grantor has the right to convey the property.

Second, the grantor warrants that the property is free from all encumbrances or liens.

Third, the grantor warrants that he or she will defend title to the estate so that the grantee and the grantee's heirs and assigns may enjoy quiet and peaceable possession of the premises with the power to convey the property.

Quitclaim Deed - A quit claim deed conveys to the grantee and the grantee's heirs and assigns in fee all of the legal or equitable rights the grantor has in the property that existed at the time of the conveyance. An example of operative words of conveyance is: "convey and quit claim". There are no warranties of title.

Special Warranty Deed - In contrast to a general warranty deed, a special warranty deed limits the liability of the grantor by warranting only what the deed explicitly states. A special warranty deed has practically the same effect as a quitclaim deed. Corporations or other entities that want to avoid assuming the liability of a general warranty deed generally use special warranty deeds. Like the general warranty deed, the special warranty deed should contain the appropriate language such as "conveys and specially warrants." Usually, the grantor warrants that he or she did nothing to impair title during the period the grantor held the title. While a special warranty deed may contain covenants of title, these covenants will usually cover only those claims arising by, through, or under the grantor.

Fiduciary Deed - This is a deed to be executed by a fiduciary such as a trustee, guardian, conservator, or similar person in their appointed capacity.

Terms Common to Deeds:

Grantor - The person who owns the property and executes the deed conveying the property to another person. This can be one or more persons, a corporation, limited liability company (LLC), partnership or other entity.

Grantee - The person who receives title to the property. The grantee can be one or more persons, a corporation, LLC, partnership or other entity.

Consideration - The value given to the grantor by the grantee in exchange for the conveyance. Some states include the exact consideration in the deed and others do not but instead include a statement of consideration as being 10.00 and other good and valuable consideration.

Operative Words of Conveyance - These are state specific and generally are statutory. They show intent to transfer present title. As previously mentioned, examples are "conveys and warrants", or "convey and quitclaim" or convey and specially warrant".

Legal Description - The legal definition of the property being conveyed. This is contained in the deed where the grantor obtained title to the property and should be used in the deed where the grantor conveys the property exactly as written in the grantors deed unless not all of the property is being conveyed.

Life Estate - A life estate is where a person owns all the benefits of ownership in the property during their life, or the life of another, with the property going to a remainder person after the death of the life tenant.

Tenants in Common - This is how two or more people (co-tenants) may take title to property who intent their share in the property to be separate from the other on death. On the death of the tenant in common the deceased persons ownership in the property is left to his or her heirs or as specified by Will. Compare to Joint Tenants. If tenant in common ownership is desired the deed usually provides, "to Grantees, A and B, as tenants in common and not as joint tenants".

Joint Tenants with Rights of Survivorship - This is how two or more persons may take title to property when the parties want the entire ownership to go to the survivor instead of the heirs of the survivor. On death of a joint tenant with rights of survivorship, the entire interest of the deceased co-tenant goes to the surviving co-tenants. Compare to Tenants in Common. It is common for husband and wife to take title as joint tenants with rights of

survivorship. If joint tenant with rights of survivorship ownership is desired, the deed usually provides, "to Grantees, A and B, as joint tenants with rights of survivorship and not as tenants in common".

Community Property - In community property states, special laws govern how property is owned between husband and wife.

Reservation Clause - This is a provision of a deed where the grantor may reserve some right in the property such as mineral rights.

Exception Clause - This is a clause in a deed where exceptions to title conveyed may be listed. Example, "Less and Except a prior reservation of all oil, gas and mineral rights in the property conveyed."

Subject to Clause - This is a clause in a deed where property usage rights may be stated. Example: "Subject to all rights of way, easements and protective covenants of record".

Execution and Acknowledgments

Execution - A deed must be in writing and signed by the grantor(s). Generally, deeds conveying a homestead estate must also be signed by the grantor's spouse.

Acknowledgments - In addition to the signature of the grantor(s), deeds must be acknowledged to be recorded and acceptable as evidence of ownership without other proof. Each state has special acknowledgment forms.

What Procedures Are Required?

Name, Address, Phone - The names of the grantor and the grantee should appear on the deed. The address and phone numbers are also usually included.

Recording or Filing Place - Generally, deeds should be recorded in the county in which the real estate is located. Although generally a deed does not have to be recorded to be a valid conveyance, there are practical reasons for recording a deed. Deeds usually do not take effect as to creditors and subsequent purchasers without notice until the instrument is recorded. Thus, unrecorded deeds may be void as to all subsequent creditors and subsequent purchasers without notice until they are filed for record. Recording a deed places subsequent purchasers on constructive notice in that subsequent purchasers are deemed to have actual knowledge of any recorded instrument. Some states are "race-notice" states, which means that the first grantee without notice to record a deed to property will be protected against the interests of other grantees with unrecorded deeds to the same property.

Acceptance and Delivery - Another element of a valid deed is that the deed must be delivered and accepted to be an effective conveyance. Most states assume delivery if the grantee is in possession of the deed. The deed also must be accepted by the grantee. This acceptance does not need to be shown in any formal way, but rather may be by any act, conduct or words showing an intention to accept such as recording the deed.

WHY DO I NEED TO KNOW ALL THIS INFORMATION?

The following terms have been set for students applying for the A. H. Bangert Student Loans. It is the responsibility of the student, along with the co-signers, to contact an attorney for the execution of the Deed of Trust and Promissory Note(s).

Craven County Schools Policy 1023.0101: (EXCERPT)

TERMS OF LOANS:

1. Loans are made on a one-year basis, and each additional loan requires a new application to be considered on its own merits.
2. **All Loans shall be secured with a Promissory Note and Deed of Trust on property, preferable owned in Craven County.**
3. Maximum loans per year of \$3500.00 for a full time student at a four (4) year institution and \$1500.00 for a full time student at a two (2) year institution or a community college.
Maximum amount of total loans:

Community College	\$ 3,000
Four Year College	\$14,000

All loans over \$14,000.00 for work on a Masters or Ph.D. Program shall be considered on a case-by case basis. Sufficient collateral shall be required.
4. Promissory Notes must be signed by Applicant, parents, and a third party. If the student is married, the signature of the spouse is required. The Board of Education reserves the right to secure a credit report on all signers.
5. If the Bangert Loan Program accepts a second or third position on a mortgage, the outstanding balances and loan amount to tax value and/or appraised ratio shall be no more than 85%.
6. Since each loan is secured by a Deed of Trust on property, it will be necessary to assign fire insurance on the property to the Albert H. Bangert Loan Fund for the period of the loan.
7. Funds borrowed shall be disbursed to the student on a semester basis. Monies will be distributed on or about August 1 and December 1.
8. In obtaining a loan from the Albert H. Bangert Loan Fund, a student agrees to:
 - a. Answer promptly all notices and letters relating to the loan.
 - b. Keep the Treasurer of the Loan Fund informed of his/her address as long as any part of the loan remains unpaid.
 - c. Notify the Treasurer of the Loan Fund immediately upon graduation or withdrawal from college.
 - d. Repay the loan according to its terms.

- e. Authorize the Bangert Loan Administrator to check credit and employment history.
- f. Answer questions about his/her credit experience.
- g. Submit a copy of the course registration each semester/quarter to verify enrollment in school.
- h. Submit a copy of the academic report at end of each semester/quarter.

(END OF POLICY EXCERPT)

Note on Mortgages and Deed of Trust

C.A. Fox

What follows is an effort to answer very briefly, a student's question regarding the difference between the conveyance of interest in an estate to a creditor by mortgage to secure payment of a debt compared to a conveyance by a Deed in Trust to 3rd party as security for payment of a debt owed a creditor.

The basic differences are in the number of parties to the transaction and the debtor's ability to obtain a judicial determination of its rights after default.

Mortgage:

In a typical mortgage transaction, the debtor borrows money from the lender and signs a Promissory Note, promising to repay the loan with interest under certain terms defining when and how the loan will be repaid (e.g., in a lump sum or in installments). At the same time, the debtor executes an instrument called a Mortgage, granting the lender an interest in some estate in property owned by the debtor and also containing a promise to repay the loan in accordance with the terms of the Note. The debtor is called the Mortgagor because it conveys the interest to the lender. The lender, as the recipient of that interest, is called the Mortgagee.

If the debtor repays the loan in accordance with the terms of the note and mortgage, the mortgage is canceled or "satisfied" by an instrument signed by the Mortgagee. The Mortgagee has no more interest in the debtor's estate.

If the debtor does not repay the loan, it is in default under both the Note and the Mortgage. The Mortgagee now may bring an action to have the property sold to repay the loan. The Mortgagee's action is usually called an action in "foreclosure." It is really an action to terminate the debtor's right to pay the loan after it has become due and to have the Mortgage canceled. This right of the debtor to pay the debt after it is due and prevent the lender's resort to the estate is an equitable right called the "Equity of Redemption." An action in foreclosure is an action to cut off or foreclose, the equity of redemption. Foreclosure actions end with a sale of the debtor's estate by the sheriff or other judicial officer at a public sale. The proceeds of that sale (above the costs of the sale and any unpaid real estate taxes on the estate) are paid to the lender-Mortgagee. If the sale price is greater than the debt due (including interest), the surplus is paid to the borrower-Mortgagor. (It is not always as simple as this. Other parties may have claims against the estate that must be paid before the borrower will receive any of the sale proceeds, but do not worry about that now.) The action in foreclosure can take a long time and be expensive for the creditor, particularly where the sale does not bring enough money to pay the debt in full.

Deed of Trust:

There are three parties to a Deed of Trust transaction, although the basic purpose is the same as in a mortgage transaction. The borrower signs the Note promising the lender to repay the loan. It also executes a conveyance of title to its estate to a third party, the Trustee, who holds that title for the benefit of the lender (and the borrower). This conveyance is called a Deed of Trust. If the loan is repaid in accordance with its terms, the Trustee either reconveys the estate to borrower or cancels the conveyance, depending on the law and custom of the jurisdiction.

If the loan is not repaid in accordance with the terms of the Note and Deed of Trust, the borrower is in default. The borrower continues to have an equitable right to repay the loan (with interest) after it as become due (the equity of redemption). The lender may still bring an action in foreclosure to cut off that right. However, it need not do so. The Deed of Trust authorizes the Trustee to sell the property at the request of the lender when the borrower is in default. The Trustee's authority to sell is usually called a "power of sale" and is a matter of private law between borrower, lender, and Trustee. The Trustee's sale will cut off the borrower's equity of redemption without resort to a judicial proceeding. The proceeds of the sale are paid to the lender and, if there is any surplus, to the borrower in much the same way as the proceeds of the judicial sale in the case of a mortgage.

Both Transactions:

Both transactions are techniques for providing the lender with security for the repayment of its loan to the borrower. If the borrower is unable to repay the loan, the sale of the estate will provide at least some funds for that purpose. About half of the states do not recognize powers of sale under Deeds of Trusts. The only way the lender can realize the value of the security for its loan in these states is to bring an action to foreclose the equity of redemption. Even in these states, the federal government may use a power of sale to avoid judicial foreclosure under certain loans made or insured by it.

Of course, both transactions much more complicated than this short note indicates. Fortunately, you will not need to understand most of the issues surrounding these transactions for this course.

If you want to learn more right now, look at Grant S. Nelson & Dale A. Whitman, Real Estate Finance Law §§ 7.11 (Judicial Foreclosure) and 7.19 (Power of Sale Foreclosure) (3rd ed. 1994).

For more on the basics of a mortgage transaction, see [Mortgage Primer](#).

DIRECT LOAN PROMISSORY NOTES

A promissory note is a legal and binding contract of your promise to repay the loan according to the terms listed on the note. Once your complete application is received, and your loan is approved by the Trustees, you and your cosigners will need to contact an attorney to begin the process of assigning the Deed of Trust and completing the Promissory Note. The Promissory Note should be signed by the student, both co-signers, and a third party, before being forwarded to the Administrator of the A. H. Bangert Student Loan Fund along with the Deed of Trust.

When you receive your promissory note be sure to do the following:

- Sign in blue or black ink only. Pencil or erasures will void the promissory note.
- Write legibly and sign your name as given on the promissory note. A difference in your signature invalidates the document in many instances.
- DO NOT use correction fluid on your promissory note.
- Complete both of the references.
- Do not write changes on your promissory note. To reduce the amount of the loan offered, prepare a separate written statement indicating the amount you would like to borrow.
- When you receive your promissory note, you must return it within three (3) days to:

A. H. Bangert Student Loan Fund Administrator
Craven County Board of Education
3600 Trent Road
New Bern, NC 28562

Submit the **original** Promissory Note for processing. Facsimiles and photocopies are NOT acceptable, but you will want to keep a copy for your files.

UNDERSTANDING PROMISSORY NOTES

One of the most important papers you will be asked to sign when you obtain a student loan is a promissory note. This is your promise to pay back the money you are borrowing to your mortgage lender.

A legal dictionary defines a promissory note as follows:

A promise in writing, and executed by the maker, to pay a specified amount during a limited time, or on demand, or at sight, to a named person, or on order, or to bearer.

The promissory note is your "IOU." You borrow money from a mortgage lender, and the lender wants to make sure that all of the terms and conditions of your loan are spelled out in a single document. The lender also wants to make sure that there will be no confusion as to these terms and conditions, so that in the future you cannot claim that you did not know what your legal obligations were with respect to your loan.

There are many different kinds of student loans currently on the market. The A. H. Bangert Student Loan is a

fixed rate loan, with a declining interest rate (as you pay off the principal each quarter, the amount of interest owed per quarter is reduced.) There is no interest accrued while you are a full time student, and no principal payments are expected for the first year after you complete your course of study

Regardless of the type of loan you obtain, you will have to sign several legal documents, including a Deed of Trust and the promissory note.

UNDERSTANDING PROMISSORY NOTES (continued)

Read the note carefully. Unlike the Deed of Trust (which can be as large as 15 or more pages), the note is generally a short document. But do not get misled by its brevity; it can give you a knock-out punch if you do not make your payments on a timely basis.

There are some very important sections in every promissory note:

- Be sure you verify that your name and address are correct
- Confirm that the interest rate is what you were promised by your lender.
- Notice the specific information about **when** your first payment is due.
- The note contains the **amount** of your monthly payment. Make sure that it is correct.
- Do you have the right to pre-pay your loan with out a penalty? This is a very important issue, and you should know your rights before you complete the settlement. In fact, this is an issue that you should discuss with your lender well in advance of settlement. (For the A. H. Bangert Student Loan there are no penalties for prepayment – in fact, you can save a substantial amount of money by an early payoff.)
- Is there a period of grace before you are in default? The loan fund will allow you to make your payment up to the 1st of the next quarter before calling you in default. However, interest will accrue on your loan until the payment is received -- and recorded -- on the lender's books, and thus you should try to make your payments as early in the quarter as possible.

The due on sale clause simply means that your loan is not assumable, at least not without the written permission of your lender. If you transfer your house to a third party, the lender has the absolute right to call the entire loan due and payable.

There are a number of exceptions to this right of the lender to call the entire loan due. Under the Garn-St. Germain Depository Institutions Act of 1982, a lender has no right to call the loan if, for example:

- The transfer of property occurs as the result of the death of one of the joint owners of the property.
- A transfer to a relative resulting from the death of a borrower.
- A transfer where the spouse or children of the borrower become an owner of the property.
- A transfer resulting from a decree of dissolution of marriage, legal separation agreement; or from an incidental property settlement agreement, by which the spouse of the borrower becomes an owner of the property.
- A transfer into an inter vivos trust in which the borrower is and remains, a beneficiary and which does not relate to a transfer of rights of occupancy in the property.

Finally, you should understand that if you do not pay your quarterly payments on time, and become delinquent, the lender has two alternative courses of action. First, we can foreclose on the property, based on the deed of trust that you also signed at settlement. Second, we can sue you in a court of law to collect on the note. Under this scenario, if the lender gets a money judgment from the Court, the lender has a number of collection options:

- Foreclose on your property.
- Attach your bank account or other assets.
- Garnish your wages.

Thus, as you can see, the Promissory Note is an important document. You should read it carefully, and ask questions of the title attorney if you do not fully understand all of the terms of the note.

You will get a copy of the note (as well as all other settlement documents) when you complete the settlement and pick up your loan check. Please plan to pick up your fall loan check in person during the first week of August. This check will be $\frac{1}{2}$ of the total amount you have borrowed for the school year. The balance of your loan will be mailed to your home address in early December.