OCCC
TEXAS OFFICE OF CONSUMER CREDIT COMMISSIONER

**NOTICE OF PRECOMMENT DRAFT & ONLINE WEBINAR**
**Plain Language Rule Review**
**September 22, 2026 at 3:00 p.m.**

The Office of Consumer Credit Commissioner (OCCC) will hold an online webinar on September 22, 2026, at 3:00 p.m. During the webinar, the OCCC will discuss the September 8 precomment draft of rule amendments relating to regulated lender plain language contracts. The OCCC will also accept informal written precomments until 5:00 p.m. on September 25. The OCCC plans to present this rule action for proposal at the Finance Commission's October 16 meeting.

**Summary of Rule Amendments**

The amendments would revise the OCCC's rules for regulated lender plain language contracts at 7 Tex. Admin. Code Chapter 90. The amendments incorporate recommendations from the Texas Regulatory Efficiency Office (TREO).

The proposed rule amendments include the following changes in 7 Tex. Admin. Code ch. 90:

- ***Updated Flesch-Kincaid score requirement for Subchapter F:*** In Section 90.104, the maximum Flesch-Kincaid grade level score for Chapter 342, Subchapter F contracts would be changed from grade 8 to grade 9.
- ***Updated model clause—Subchapter E itemization of amount financed:*** In Section 90.203, the model clause for the itemization of amount financed would include bracketed language based on whether the administrative fee is paid in cash, so that two different model clauses can be combined into one.
- ***Updated model contract—Subchapter E true daily earnings:*** In Section 90.204, the model contract for a Subchapter E true daily earnings loan would be revised to remove current strikethrough text.
- ***Updated model clause and contract—definition of "Electronic Funds Transfer":*** In Section 90.403, the model clause for the definition of "Electronic Funds Transfer" in a second-lien home equity loan security document would be revised to refer to federal law. A corresponding change would be made to the model contract in Section 90.404.
- ***Repeal of rules for second-lien purchase money loans and home improvement loans:*** Sections 90.501 through 90.604, which contain model clauses and contracts for second-lien purchase money loans and home improvement loans, would be repealed. The OCCC understands that regulated lenders do not commonly use these provisions for Chapter 342 loans.

The OCCC invites stakeholders to comment on these proposed rule amendments.

**Participating in Webinar**

Stakeholders are invited to listen and participate in the online webinar. Please follow the instructions available at: https://attendee.gotowebinar.com/register/5426537842265339482

**Submission of Informal Precomments**

Informal precomments on the draft rules may be submitted by email to rule.comments@occc.texas.gov, or by mail to Matthew Nance, General Counsel, Office of Consumer Credit Commissioner, 2601 North Lamar Blvd., Austin, Texas 78705.

Precomments submitted to the OCCC are generally public. Please redact all confidential information before submitting precomments to the OCCC.

***Informal precomments on the OCCC's September 8 precomment draft must be received by 5:00 p.m. on September 25, 2026.***

**OCCC Plain Language Rule Review Amendments**

**9/8/2026 Precomment Draft**

*Title 7, Texas Administrative Code*

*Part 5. Office of Consumer Credit Commissioner*

*Chapter 90. Chapter 342, Plain Language Contract Provisions*

*Subchapter A. General Provisions*

*§90.104. Non-Standard Contract Filing Procedures*

(a) - (b) (No change.)

(c) Contract filing requirements. Copies of the loan contract must be submitted in accordance with the OCCC's instructions and the following requirements:

(1) - (3) (No change.)

(4) Maximum Flesch-Kincaid score. The maximum Flesch-Kincaid Grade Level scores for Chapter 342 contract filings are:

[~~(A) grade 8 for Subchapter F (signature loans);~~]

<u>(A)</u> [~~(B)~~] grade 9 for Subchapter E (secured installment loans) <u>and Subchapter F (signature loans)</u>;

<u>(B)</u> [~~(C)~~] grade 10 for Subchapter G, computed by scoring the note and security document in one continuous Microsoft Word document (home equity loans [~~, second lien purchase money loans, and second lien home improvement contracts~~]).

(d) (No change.)

*Subchapter B. Secured Consumer Installment Loans (Subchapter E)*

*§90.203. Model Clauses*

(a) (No change.)

(b) Model clauses for a Chapter 342, Subchapter E secured consumer installment loan contract.

(1) (No change.)

(2) Itemization of amount financed box. Two model clauses for the itemization of amount financed are presented in this paragraph. One is for use when the licensee finances an

administrative fee. The other is for use when the administrative fee is paid in cash by the borrower. A licensee may delete portions applicable to any insurance premiums that are not financed and may also delete other inapplicable portions. The model clause options regarding the itemization of the amount financed read:

Attached Graphic *{See attached new figure 7 TAC §90.203(b)(2) using bracketed text to combine current figures 7 TAC §90.203(b)(2)(A) and 7 TAC §90.203(b)(2)(B).}*

[~~(A) For use when the administrative fee is financed:~~]

[~~Attached Graphic~~]

[~~(B) For use when the administrative fee is paid in cash:~~]

[~~Attached Graphic~~]

[~~(3) - (28) (No change.)~~]

*§90.204. Model Contracts; Permissible Changes*

(a) A licensee may consider making the following types of changes to the secured consumer installment loans plain language model clauses:

(1) - (7) (No change.)

(8) A sample model contract using the true daily earnings method is presented in the following example.

Attached Graphic *{See attached revised figure 7 TAC §90.204(a)(8) with current strikethrough text removed.}*

(9) (No change.)

(b) (No change.)

*Subchapter D. Second Lien Home Equity Loans (Subchapter G)*

*§90.403. Model Clauses*

(a) - (b) (No change.)

(c) Model clauses for the security document for a Chapter 342, Subchapter G second lien home equity loan contract.

(1) The model definitions section reads:

(A) - (J) (No change.)

(L) "Electronic Funds Transfer" has the meaning assigned to "electronic fund transfer" by the Electronic Fund Transfer Act (15 U.S.C. §1693a(7)) and Regulation E (12 C.F.R. §1005.3(b)), as amended. [~~means any transfer of funds, other than a transaction originated by check, draft, or similar paper instrument, which is initiated through an electronic terminal, telephonic instrument, computer, or magnetic tape so as to order, instruct, or authorize a financial institution to debit or credit an account. The term includes point-of-sale transfers, automated teller machine transactions, transfers initiated by telephone, wire transfers, and automated clearinghouse transfers.~~]

(M) - (R) (No change.)

(2) - (37) (No change.)

*§90.404. Model Contracts; Permissible Changes*

(a) A licensee may consider making the following types of changes to the second lien home equity loans plain language model clauses:

(1) - (8) (No change.)

(9) A sample model security document is presented in the following example.

Attached Graphic *{See attached revised figure 7 TAC §90.404(a)(9) with revised definition of "Electronic Funds Transfer."}*

(b) (No change.)

[~~*Subchapter E. Second Lien Purchase Money Loans (Subchapter G)*~~]

[~~*§90.501. Purpose*~~]

[~~(a) The purpose of the rules contained in this subchapter is to provide a model plain language contract in English for Texas Finance Code, Chapter 342, Subchapter G purchase money loan transactions. The establishment of model provisions for these transactions will encourage use of simplified wording that will ultimately benefit consumers by making these contracts easier to understand. Use of the "plain language" model contract by a licensee is not mandatory. The licensee, however, may not use a contract other than a model contract unless the licensee has submitted the contract to the OCCC in compliance with §90.104 of this title (relating to Non-Standard Contract Filing Procedures). The OCCC will issue an order disapproving the contract if the OCCC determines the contract does not comply with Texas Finance Code, §341.502 or rules adopted under this chapter. A licensee may not claim the OCCC's failure to disapprove a contract constitutes an approval.~~]

[~~(b) The provisions in this subchapter are intended to constitute a complete plain language Chapter 342, Subchapter G purchase money loan contract; however, a licensee is not limited to the contract provisions addressed by these rules.~~]

[~~*§90.502. Contract Provisions*~~]

[~~(a) A Chapter 342, Subchapter G purchase money loan transaction may include, but is not limited to, the following contract provisions to the extent not prohibited by law or regulation. If the licensee desires to exercise its rights under one of the following provisions, it must include that provision in the contract. A licensee who does not desire to apply a provision is not required to include it in the contract. For example, a licensee who does not assess a fee for dishonored checks may omit the fee for dishonored check clause. A licensee may also exclude non-relevant portions of a model clause. For example, a licensee who does not routinely finance certain insurance coverages may omit those non-applicable portions of the model clause. A Chapter 342, Subchapter G second lien purchase money loan transaction may contain the following provisions:~~]

[~~(1) Identification of the parties, including the name and address of each party and specifying the pronouns that designate the borrower and the lender, and the property address;~~]

[~~(2) A promise to pay;~~]

[~~(3) A late charge provision;~~]

[~~(4) A provision for after maturity interest;~~]

[~~(5) A prepayment clause;~~]

[~~(6) A provision specifying the finance charge earnings and refund method;~~]

[~~(7) A provision contracting for a fee for a dishonored check;~~]

[~~(8) A provision specifying the conditions causing default;~~]

[~~(9) A provision regarding property insurance;~~]

[~~(10) A credit insurance disclosure box;~~]

[~~(11) A provision regarding the mailing of notices to the borrower;~~]

[~~(12) A provision regarding the due on sale clause, notice of intent to accelerate, and notice of acceleration;~~]

[~~(13) A provision expressing no waiver of the lender's rights;~~]

[~~(14) A collection expenses clause;~~]

[~~(15) A provision providing for joint liability;~~]

[~~(16) A usury savings clause;~~]

[~~(17) A savings clause stating that if any part of the loan agreement is invalid, the rest remains valid;~~]

[~~(18) An integration clause stating that the contract supersedes all prior agreements and that the contract may not be changed by oral agreement;~~]

[~~(19) A provision stating that the property described in the loan agreement is subject to the lien of the security document;~~]

[~~(20) A provision specifying that federal law and Texas law apply to the contract;~~]

[~~(21) OCCC notice;~~]

[~~(22) A provision describing the collateral; and~~]

[~~(23) Signature blocks.~~]

[~~(b) The security document for a Chapter 342, Subchapter G second lien purchase money loan contract may contain the following provisions:~~]

[~~(1) A definitions section;~~]

[~~(2) A provision regarding the secured nature of the agreement;~~]

[~~(3) A provision regarding the transfer of rights in the property;~~]

[~~(4) Borrower and Lender's promise;~~]

[~~(5) A provision regarding late charges and prepayment of principal and interest;~~]

[~~(6) A provision regarding the funds for escrow items;~~]

[~~(7) A provision regarding charges and liens;~~]

[~~(8) A provision regarding property insurance;~~]

[~~(9) A provision regarding preservation, maintenance, protection, and inspection of the property;~~]

[~~(10) A provision regarding protection of the lender's interest in the property and rights under the security document;~~]

[~~(11) A provision regarding the assignment of miscellaneous proceeds and forfeiture;~~]

[~~(12) A provision specifying that the borrower is not released from liability if the licensee modifies the payment schedule;~~]

[~~(13) A provision regarding joint and several liability and specifying that the person who signs the contract grants ownership in the homestead and binds the person's successors and assigns;~~]

[~~(14) A provision regarding the extension of credit charges;~~]

[~~(15) A provision regarding the delivery of notices;~~]

[~~(16) A provision regarding the law governing the contract, stating that if any part of the contract is invalid, the rest of the contract remains valid;~~]

[~~(17) A provision regarding rules of clause construction;~~]

[~~(18) A provision specifying that the licensee will give the borrower a copy of all signed documents at the time the loan agreement is made;~~]

[~~(19) A provision regarding a transfer of interest in the property;~~]

[~~(20) A provision regarding the borrower's right to reinstate after acceleration;~~]

[~~(21) A provision regarding the sale of the loan, change of loan servicer, notice of grievance, and the lender's right to comply;~~]

[~~(22) A provision regarding hazardous substances;~~]

[~~(23) A provision regarding acceleration and remedies;~~]

[~~(24) A provision regarding the assignment of rents, appointment of receiver, and the lender in possession;~~]

[~~(25) A provision regarding the power of sale;~~]

[~~(26) A provision regarding the release of the lien securing the loan agreement;~~]

[~~(27) A provision regarding the lender's rights and the borrower's responsibilities;~~]

[~~(28) A provision regarding trustees and trustee liability;~~]

[~~(29) A default provision;~~]

[~~(30) A provision regarding subrogation;~~]

[~~(31) A provision regarding what happens if the sum secured and other charges violate applicable law;~~]

[~~(32) A request for notice of default and foreclosure under superior mortgages or security documents provision;~~]

[~~(33) Signature blocks;~~]

[~~(34) An acknowledgment; and~~]

[~~(35) A provision regarding notice of confidentiality rights.~~]

[~~(c) The provisions described in this section are separate from the TILA-RESPA integrated disclosures required under Regulation Z, 12 C.F.R. §§1026.19, 1026.37 and 1026.38.~~]

[~~*§90.503. Model Clauses*~~]

[~~(a) Generally. These model clauses are the plain language rendition of contract clauses that have typically been stated in technical legal terms. Nothing in this regulation prohibits a contract from including provisions that provide more favorable results for the borrower than those that would result from the use of a model clause.~~]

[~~(b) Model clauses for a Chapter 342, Subchapter G second lien purchase money loan contract.~~]

[~~(1) Identification.~~]

[~~(A) The model identification clause lists the account or contract number, the name and address of the lender, the date of the note, the name and address of the borrower, and the property address. It also lists the following items that must be included on the promissory note under Regulation Z, 12 C.F.R. §1026.36(g):~~]

[~~(i) the lender's Nationwide Mortgage Licensing System and Registry identification number (labeled "Creditor/Lender NMLS ID");~~]

[~~(ii) the name of the individual residential mortgage loan originator with primary responsibility for the origination (labeled "Loan Originator"); and~~]

[~~(iii) the originator's Nationwide Mortgage Licensing System and Registry identification number (labeled "Loan Originator NMLS ID").~~]

[~~(B) The model clause identifying the pronouns used for the borrower and the lender reads: A word like "I" or "me" means each person who signs as a Borrower. A word like "you" or "your" means the Lender or "Note Holder". The Lender is _________. The Lender may sell or transfer this Note. The Lender or anyone who is entitled to receive payments under this Note is called the "Note Holder." You will tell me in writing who is to receive my payments."~~]

[~~(2) Promise to pay. One permissible change to the model language for the scheduled installment earnings method would be to allow partial prepayments of the principal during the term of the loan. This variation on the scheduled installment earnings method would allow periodic reductions of the principal balance by partial prepayments. This variation would allow reductions of the principal balance that were not originally scheduled. The model clause options for the borrower's promise to pay read:~~]

[~~(A) For contracts using the scheduled installment earnings method: "I promise to pay the Total of Payments to the order of you. (The "principal" or "cash advance" is $________. This amount plus interest must be paid by _________ (maturity date).) I will make payments to~~

~~you at the address above or as you direct. I will make the payments on the dates and in the amounts shown in the Payment Schedule."~~]

[~~(B) For contracts using the true daily earnings method: "I promise to pay the cash advance plus the accrued interest to the order of you. (The "principal" or "cash advance" is $________. This amount plus interest must be paid by _________ (maturity date).) I will make payments to you at the address above or as you direct. I will make the payments on the dates and in the amounts shown in the Payment Schedule."~~]

[~~(C) The model payment schedule reads:~~]

[~~Attached Graphic~~]

[~~(3) Late charge.~~]

[~~(A) Generally. The general model late charge provision for contracts using the scheduled installment earnings method or the true daily earnings method reads: "If I don't pay all of a payment within 10 days after it is due, you can charge me a late charge. The late charge will be 5% of the scheduled payment."~~]

[~~(B) High-cost mortgage loans. The model late charge provision for high-cost mortgage loans subject to the limitation on late charges in Regulation Z, 12 C.F.R. §1026.34(a)(8), reads: "If I don't pay all of a payment within 15 days after it is due, you can charge me a late charge. The late charge will be 4% of the amount of the payment past due."~~]

[~~(4) After maturity interest. The model clause specifies the maximum interest rate allowed by law for after maturity interest for contracts using the scheduled installment earnings method. A licensee may always choose a lower rate. The model provision for after maturity interest reads: "If I don't pay all I owe when the final payment becomes due, I will pay interest on the amount that is still unpaid. That interest will be the higher of the rate of 18% per year or the maximum rate allowed by law. That interest will begin the day after the final payment becomes due."~~]

[~~(5) Prepayment clause. The model prepayment clause options read:~~]

[~~(A) For contracts using the scheduled installment earnings method: "I can make a whole payment early. Unless you agree otherwise in writing, I may not skip payments. If I make a payment early, my next payment will still be due as scheduled."~~]

[~~(B) For contracts using the true daily earnings method: "I can make any payment early. Unless you agree otherwise in writing, I may not skip payments. If I make a payment early, my next payment will still be due as scheduled."~~]

[~~(6) Finance charge earnings and refund method. The model provision options specifying the finance charge earnings and refund method read:~~]

[~~(A) For contracts using the scheduled installment earnings method - Section 342.301 rate loans, the model language reads:~~]

[~~Attached Graphic~~]

[~~(B) For contracts using the scheduled installment earnings method with prepayments option - Section 342.301 rate loans, the model language reads:~~]

[~~Attached Graphic~~]

[~~(C) For contracts using the true daily earnings method - Section 342.301 rate loans, the model language reads:~~]

[~~Attached Graphic~~]

[~~(7) Fee for dishonored check clause. The model clause specifies the maximum allowable dishonored check fee. A licensee may always choose a lesser amount. The model fee for dishonored check provision reads: "I agree to pay you a fee of up to $30 for a returned check. You may add the fee to the amount I owe or collect it separately."~~]

[~~(8) Default clause. The model provision specifying the conditions causing default reads:~~]

[~~Attached Graphic~~]

[~~(9) Property insurance. The model provision regarding property insurance reads:~~]

[~~Attached Graphic~~]

[~~(10) Credit insurance. If single premium credit insurance is offered, a permissible change to the disclosure can be to offer a single charge for the entire term of the loan. The term for the single premium charge should be shown for the original term of the loan, unless otherwise specified. The licensee has the option of including language that reads: "The insurance will cancel on the date when the total past due premiums equal or exceed (insert number) times the first month's premium." The industry standard regarding the relationship between total past due premiums and the first month's premium in this equation appears to be four times. However, if a different time frame is more appropriate, that time frame may be used. The model credit insurance disclosure box reads:~~]

[~~Attached Graphic~~]

[~~(11) Mailing of notices to borrower. The duty to give notice is satisfied when it is mailed by first class mail. The model provision regarding the mailing of notices to the borrower reads: "You or I may mail or deliver any notice to the address above. You or I may change the notice address by giving written notice. Your duty to give me notice will be satisfied when you mail it."~~]

[~~(12) Due on sale clause, notice of intent to accelerate, and notice of acceleration. The model provision regarding the due on sale clause, notice of intent to accelerate, and notice of acceleration reads: "If all or any interest in the Property is sold or transferred without your prior written consent, you may require immediate payment in full of all that I owe under this Loan Agreement. You will not exercise this option if prohibited by law. If you exercise this option, you will give me notice that you are demanding immediate payment of all that I owe. This notice will~~

~~give me a period of not less than 21 days from the date of the notice within which I must pay all that I owe under this Loan Agreement. If I fail to pay all that I owe before the end of this period, you may use any remedy allowed by the Loan Agreement."~~]

[~~(13) No waiver of lender's rights. The model provision expressing no waiver of the lender's rights reads: "If you don't enforce your rights every time, you can still enforce them later."~~]

[~~(14) Collection expenses clause. The model collection expenses clause reads: "If you require me to pay all that I owe at once, you will have the right to be paid back by me for all of your costs and expenses in enforcing this Loan Agreement to the extent not prohibited by Applicable Law. These expenses include, for example, reasonable attorneys' fees."~~]

[~~(15) Joint liability. The model provision providing for joint liability reads: "I understand that you may seek payment from only me without first looking to any other Borrower."~~]

[~~(16) Usury savings clause. The model usury savings clause reads: "I do not have to pay interest or other amounts that are more than Applicable Law allows."~~]

[~~(17) Savings clause. The model savings clause stating that if any part of the contract is invalid, the rest remains valid reads: "If any part of this Loan Agreement is declared invalid, the rest of the Loan Agreement remains valid. If any part of this Loan Agreement conflicts with any law, that law will control. The part of the Loan Agreement that conflicts with any law will be modified to comply with the law. The rest of the Loan Agreement remains valid."~~]

[~~(18) Contract supersedes prior agreements. For loan agreements exceeding $50,000, this notice must be boldfaced, capitalized, underlined, or otherwise set out from the surrounding written material to be conspicuous. The model integration clause providing that the contract supersedes prior agreements reads: "This written Loan Agreement is the final agreement between you and me and may not be changed by prior, current, or future oral agreements between you and me. There are no oral agreements between you and me relating to this Loan Agreement. Any change to this Loan Agreement must be in writing. Both you and I have to sign written agreements."~~]

[~~(19) Security document. The model provision stating that the property described in the loan agreement is subject to the lien of the security document reads: "In addition to the protections given to the Note Holder under this Note, a Security Document, dated ________________, protects the Note Holder from possible losses that might result if I do not keep the promises that I make in this Note. The Security Document describes how and under what conditions I may be required to make immediate payment in full of any amounts that I owe under this Note."~~]

[~~(20) Application of law. The model clause specifying that federal law and Texas law apply to the contract reads: "Federal law and Texas law apply to this Loan Agreement."~~]

[~~(21) OCCC notice. Under §90.105 of this title (relating to OCCC Notice), the following required notice must be given by licensees to let consumers know how to file complaints: "For questions or complaints about this loan, contact (insert name of lender) at (insert lender's phone number and, at lender's option, one or more of the following: mailing address, fax number, website, e-mail address). The lender is licensed and examined under Texas law by the Office of Consumer~~

~~Credit Commissioner (OCCC), a state agency. If a complaint or question cannot be resolved by contacting the lender, consumers can contact the OCCC to file a complaint or ask a general credit-related question. OCCC address: 2601 N. Lamar Blvd., Austin, Texas 78705. Phone: (800) 538-1579. Fax: (512) 936-7610. Website: occc.texas.gov. E-mail: consumer.complaints@occc.texas.gov."~~]

[~~(22) Clause describing collateral. The model provision describing the collateral reads: "The collateral described above by the property address is subject to the lien of the Security Document."~~]

[~~(23) Signature blocks. The licensee may also provide additional signature lines for witness signatures. The model provision regarding signature blocks reads:~~]

[~~Attached Graphic~~]

[~~(c) Model clauses for a security document for a Chapter 342, Subchapter G second lien purchase money loan contract.~~]

[~~(1) The model definitions section reads:~~]

[~~(A) "Loan Agreement" means the Note, Security Document, deed of trust, any other related document, or any combination of those documents, under which you have made a loan to me.~~]

[~~(B) "Security Document" means this document, which is dated _________, together with all Riders to this document.~~]

[~~(C) "I" or "me" means _____________________________________________, the grantor under this Security Document and the person who signed the Note ("Borrower").~~]

[~~(D) "You" means _____________________________________________, the Lender and any holder entitled to receive payments under the Note. Your address is _____________________________________________. Your NMLS ID is ___________. You are the beneficiary under this Security Document. The loan originator's name is _____________________________________________. The loan originator's NMLS ID is ___________.~~]

[~~(E) "Trustee" is __________________________________. Trustee's address is ______________________________________.~~]

[~~(F) "Note" means the Purchase Money Note signed by me and dated ________________. The Note states that the amount I owe you is ___________________ dollars (U.S. $_______) plus interest. I have promised to pay this debt in regular Periodic Payments and to pay the debt in full not later than ________________________________________ (maturity date).~~]

[~~(G) "Property" means the real estate that is described below under the heading "Transfer of Rights in the Property."~~]

[~~(H) "Riders" means all Riders to this Security Document that I execute.~~]

[~~Attached Graphic~~]

[~~(I) "Applicable Law" means all controlling applicable federal, Texas and state constitutions, statutes, regulations, administrative rules, local ordinances, judicial and administrative orders (that have the effect of law) as well as all applicable final, non-appealable judicial opinions.~~]

[~~(J) "Community Association Dues, Fees, and Assessments" means all dues, fees, assessments and other charges that are imposed on me or the Property by a condominium association, homeowners association, or similar organization.~~]

[~~(K) "Electronic Funds Transfer" means any transfer of funds, other than a transaction originated by check, draft, or similar paper instrument, which is initiated through an electronic terminal, telephonic instrument, computer, or magnetic tape so as to order, instruct, or authorize a financial institution to debit or credit an account. The term includes point-of-sale transfers, automated teller machine transactions, transfers initiated by telephone, wire transfers, and automated clearinghouse transfers.~~]

[~~(L) "Escrow Items" means those items that are described in Section ___ of this Security Document.~~]

[~~(M) "Miscellaneous Proceeds" means any compensation, settlement, award of damages, or proceeds paid by any third party (other than proceeds paid under my insurance) for: damage or destruction of the Property; condemnation or other taking of all or any part of the Property; conveyance instead of condemnation; or misrepresentations or omissions related to the value or condition of the Property.~~]

[~~(N) "Periodic Payment" means the regularly scheduled amount due for principal and interest under the Note plus any amounts under this Security Document.~~]

[~~(O) "RESPA" means the Real Estate Settlement Procedures Act (12 U.S.C. §§2601-2617) and Regulation X (12 C.F.R. Part 1024), as amended, or any additional or successor legislation or regulation that governs the same subject matter. As used in this Security Document, "RESPA" refers to all requirements and restrictions that are imposed in regard to a "federally related mortgage loan" even if the Loan Agreement does not qualify as a "federally related mortgage loan" under RESPA.~~]

[~~(P) "Successor in Interest of me" means any party that has taken title to the Property, whether or not that party has assumed my obligations under the Loan Agreement.~~]

[~~(Q) "Ground Rents" means amounts I owe if I rented the real property under the buildings covered by this Security Document. Such an arrangement usually takes the form of a long-term "ground lease."~~]

[~~(2) Secured agreement. The model provision regarding the secured nature of the agreement reads: "To secure this Loan Agreement, I give you a security interest in the Property~~

~~including existing and future improvements, easements, fixtures, attachments, replacements and additions to the Property, insurance refunds, and proceeds."~~]

[~~(3) Transfer of rights in property. The model provision regarding a transfer of rights in the property reads:~~]

[~~Attached Graphic~~]

[~~(4) Borrower and Lender's promise. The model provision regarding the borrower and lender's promise to comply with the terms of the security document reads: "YOU AND I PROMISE:".~~]

[~~(5) Late charges and prepayment. The model provision regarding late charges and prepayment of principal and interest reads:~~]

[~~Attached Graphic~~]

[~~(6) Funds for escrow items. The model provision regarding the funds for escrow items reads:~~]

[~~Attached Graphic~~]

[~~(7) Charges and liens. The model provision regarding charges and liens reads:~~]

[~~Attached Graphic~~]

[~~(8) Property insurance. The model provision regarding property insurance reads:~~]

[~~Attached Graphic~~]

[~~(9) Preservation, maintenance, protection, and inspection of property. The model provision regarding preservation, maintenance, protection, and inspection of the property reads: "I will not destroy, damage or impair the Property, allow it to deteriorate, or commit waste. Whether or not I live in the Property, I will maintain it in order to prevent it from deteriorating or decreasing in value due to its condition. I will promptly repair the damage to the Property to avoid further deterioration or damage unless you and I agree in writing that it is economically unreasonable. I will be responsible for repairing or restoring the Property only if you release the insurance or condemnation proceeds for the damage to or the taking of the Property. You may release proceeds for the repairs and restoration in a single payment or in a series of payments as the work is completed. I still am obligated to complete repairs or restoration of the Property even if there are not enough proceeds to complete the work. If this Security Document secures a unit in a condominium or planned unit development, I will perform all of my obligations under the declaration or covenants creating or governing the condominium or planned unit development, and any other relevant document. You or your agent may inspect the Property. You may inspect the interior of the Property with reasonable cause. You will give me notice stating reasonable cause when or before the interior inspection occurs."~~]

[~~(10) Protection of lender's interest in property and rights under security document. The model provision regarding the protection of the lender's interest in the property and rights under the security document reads:~~]

[~~Attached Graphic~~]

[~~(11) Assignment of miscellaneous proceeds and forfeiture. The model provision regarding the assignment of miscellaneous proceeds and forfeiture reads:~~]

[~~Attached Graphic~~]

[~~(12) Forbearance not a waiver. The model provision specifying that the borrower is not released from liability if the licensee modifies the payment schedule reads: "My successors and I will not be released from liability if you extend the time for payment or modify the payment schedule. If I pay late, you will not have to sue me or my successor to require timely future payments. You may refuse to extend time for payment or modify this Loan Agreement even if I request it. If you do not enforce your rights every time, you may enforce them later."~~]

[~~(13) Joint and several liability, security document execution, successors obligated. The model provision regarding joint and several liability and specifying that the person who signs the contract grants his ownership in the property and binds his successors and assigns reads:~~]

[~~Attached Graphic~~]

[~~(14) Extension of credit charges. The model provision for the extension of credit charges reads:~~]

[~~Attached Graphic~~]

[~~(15) Delivery of notices. The model provision regarding the delivery of notices reads: "Under the Loan Agreement, you and I will give notices to each other in writing. Any notice under the Loan Agreement will be considered given to me when it is mailed by first class mail or when actually delivered to me at my address if given by another means. You will give notice to the Property address unless I provide you a different address. I will notify you promptly of any change of address. I will comply with any reasonable procedure for giving a change of address that you provide. There will only be one address for notice under the Loan Agreement. Notice to me will be considered notice to all persons who are obligated under the Loan Agreement unless Applicable Law requires a separate notice. I may give you notice by delivering or mailing it by first class mail to the address provided by you, unless you require a different procedure. You, however, will not receive notice under the Loan Agreement until you actually receive it. Legal requirements governing notices subject to the Loan Agreement will prevail over conditions in the Loan Agreement."~~]

[~~(16) Governing law and severability. The model provision regarding the law governing the contract, stating that if any part of the contract is invalid, the rest of the contract remains valid reads: "The Loan Agreement will be governed by Texas law and federal law. If any provision in the Loan Agreement conflicts with any legal requirement, all non-conflicting provisions will remain effective."~~]

[~~(17) Rules of construction. The model provision regarding rules of clause construction reads:~~]

[~~Attached Graphic~~]

[~~(18) Loan agreement copies. The model provision specifying that the lender will give the borrower a copy of all signed documents at the time the loan agreement is made reads: "At the time the Loan Agreement is made, you will give me copies of all documents I sign."~~]

[~~(19) Transfer of interest in property. The model provision regarding a transfer of interest in the property reads: "Interest in the Property" means any legal or beneficial interest. This term includes those beneficial interests transferred in a bond for deed, contract for deed, installment sales contract or escrow agreement (the intent of which is the transfer of title by me at a future date to a purchaser). If any part of the Property is sold or transferred without your prior written permission, you may require immediate payment of all I owe. You will not exercise this option if disallowed by Applicable Law. If you accelerate, you will give me notice. The notice of acceleration will allow me at least 21 days from the date the notice is given to pay all I owe. If I fail to timely pay all I owe, you may pursue any remedy allowed by the Loan Agreement without further notice or demand.~~]

[~~(20) Borrower's right to reinstate after acceleration. The model provision regarding the borrower's right to reinstate after acceleration reads:~~]

[~~Attached Graphic~~]

[~~(21) Sale of note, change of loan servicer, notice of grievance, and lender's right to comply. The model provision regarding the sale of the loan, change of loan servicer, notice of grievance, and the lender's right to comply reads: "A full or partial interest in the Loan Agreement can be sold one or more times without prior notice to me. The sale may result in a change of the company servicing or handling the Loan Agreement. The company servicing or handling the Loan Agreement will collect my monthly payment and will comply with other servicing conditions required by the Loan Agreement or Applicable Law. In some cases, the company servicing or handling the Loan Agreement may change even if the Loan Agreement is not sold. If the company servicing or handling the Loan Agreement is changed, I will be given written notice of the change. The notice will state the name and address of the new company, the address to which my payments should be made, and any other information required by RESPA. Any notice of acceleration and opportunity to cure under the Loan Agreement will satisfy the notice and opportunity to address the alleged violation provisions of this Section. No agreement between you and me or any third party will limit your ability to comply with your duties under the Loan Agreement and the Applicable Law. You and I are limiting all agreements so that all current or future interest or fees in connection with this Loan Agreement will not be greater than the highest amount allowed by Applicable Law. You and I intend to conform the Loan Agreement to the provisions of Applicable Law. If any part of the Loan Agreement is in conflict with the Applicable Law, then that part will be corrected or removed. This correction will be automatic and will not require any amendment or new document. Your right to correct any violation will survive my paying off the Loan Agreement. My right to correct will override any conflicting provision of the Loan Agreement. Your right to~~

~~comply as provided in this Section will survive the payoff of the Loan Agreement. The provisions of this Section will supersede any inconsistent provision of the Loan Agreement."~~]

[~~(22) Hazardous substances. The model provision regarding hazardous substances reads:~~]

[~~Attached Graphic~~]

[~~(23) Acceleration and remedies. The model provision regarding acceleration and remedies reads:~~]

[~~Attached Graphic~~]

[~~(24) Assignment of rents, appointment of receiver, and lender in possession. The model provision regarding assignment of rents, appointment of receiver, and the lender in possession reads: "As additional security, I assign to you the rents of the Property, provided that I have the right, prior to acceleration or abandonment of the Property, to collect and retain the rents as they become due. Upon acceleration or abandonment, you, by agent or by court-appointed receiver, will be entitled to enter, take possession, manage the Property, and collect due and past due rents. All rents you or the court-appointed receiver collect will be applied first to payment of the costs of management of the Property and collection of rents, including receiver's fees, premiums on receiver's bonds, and reasonable attorneys' fees, and then to the sums secured by this Security Document. You and the receiver will be liable to account only for rents received."~~]

[~~(25) Power of sale. The licensee has the option to choose wording to indicate that a Trustee's deed will convey good title to the Property that cannot be defeated. The model provision regarding the power of sale reads:~~]

[~~Attached Graphic~~]

[~~(26) Release. If the licensee cannot return the note to the borrower, the licensee may provide the borrower with a discharge and release of all obligations under the loan. The discharge must meet the requirements of Texas Finance Code, §342.454. The model provision regarding the release of the lien securing the loan agreement reads: "Upon payment of all that I owe under this Loan Agreement, you will cancel and return the Note to me and give me, in recordable form, a release of lien securing the Loan Agreement or a copy of any endorsement of the Note and assignment of the lien to a lender that is refinancing the Loan Agreement. If you cannot, you will provide me with a discharge and release of all obligations under the loan. I will pay only the cost of recording the release of lien."~~]

[~~(27) Lender's rights and borrower's responsibilities. The model provision specifying that each person who signs the document is responsible for each promise and duty in the security document reads:~~]

[~~Attached Graphic~~]

[~~(28) Trustees and trustee liability. The model provision regarding trustees and trustee liability reads:~~]

[~~Attached Graphic~~]

[~~(29) Default. The model default provision reads: "Any default of my agreements with you will be a default of this Security Document."~~]

[~~(30) Subrogation. The model provision regarding subrogation reads: "If I ask, you will use proceeds from the Loan Agreement to pay off all valid outstanding liens against the Property. You will then own all rights, superior titles, liens, and interests owned or claimed by any owner or holder of an outstanding lien or debt. You own these things whether the lien or debt is transferred to you or whether it is released by the holder upon payment."~~]

[~~(31) Partial invalidity. The model provision regarding what happens if the sums secured and other charges violate applicable law reads: "If any portion of the sums secured by this Security Document cannot be lawfully secured, payments minus those sums will be applied first to the portions not secured. If any charge provided for in this Loan Agreement, separately or together with other charges that are considered part of this Loan Agreement, violates Applicable Law, the charge is reduced to the extent necessary to eliminate the violation. Lender will refund the amount of interest or other charges paid to Lender in excess of the amount permitted by Applicable Law. At Lender's option, the amount in excess will either be refunded directly to me or will be applied to reduce the principal of the debt."~~]

[~~(32) Request for notice of default and foreclosure under superior mortgages or security documents. The model provision regarding the lender and borrower's request for notice of default and foreclosure under superior mortgages or security documents reads:~~]

[~~Attached Graphic~~]

[~~(33) Signature blocks. The model provision regarding signature blocks reads:~~]

[~~Attached Graphic~~]

[~~(34) Acknowledgment. The model provision regarding the acknowledgment reads:~~]

[~~Attached Graphic~~]

[~~(35) Notice of confidentiality rights disclosure. The security document must incorporate a "Notice of Confidentiality Rights" disclosure. The disclosure or notice must:~~]

[~~(A) appear on the top of the first page of the security document;~~]

[~~(B) be in at least 12-point boldfaced type or 12-point uppercase lettering; and~~]

[~~(C) be substantially similar to the required notice or disclosure under Texas Property Code, §11.008(b). The model notice of confidentiality rights reads: "NOTICE OF CONFIDENTIALITY RIGHTS: I MAY REMOVE OR STRIKE MY SOCIAL SECURITY NUMBER OR MY DRIVER'S LICENSE NUMBER FROM THIS DOCUMENT BEFORE IT IS FILED IN THE PUBLIC RECORDS."~~]

[~~*§90.504. Model Contracts; Permissible Changes*~~]

[~~(a) A licensee may consider making the following types of changes to the second lien purchase money loans plain language model clauses:~~]

[~~(1) Adding information related to information set forth in the model clauses that is not otherwise prohibited by law;~~]

[~~(2) Substituting another term for "Lender" or "Borrower" that has the same meaning, or using pronouns such as "you," "we," and "us";~~]

[~~(3) Presenting the model clauses in any order, and combining or further segregating the model clauses;~~]

[~~(4) Inserting descriptive headings or number provisions;~~]

[~~(5) Changing the case of a word if otherwise permitted by the Texas Finance Code; or~~]

[~~(6) Making other changes which do not affect the substance of the disclosures.~~]

[~~(7) A licensee may place its NMLS ID number, the individual residential mortgage loan originator's name, or the originator's NMLS ID on any portion of a document requiring this information, including the signature page. To the extent allowed by Regulation Z, 12 C.F.R. §1026.36(g), and the official commentary to that section, a licensee may omit:~~]

[~~(A) the licensee's NMLS ID number, if the licensee does not have an NMLS ID number and is not legally required to obtain one; and~~]

[~~(B) the individual residential mortgage loan originator's NMLS ID number, if the originator does not have an NMLS ID number and is not legally required to obtain one.~~]

[~~(8) A sample model note is presented in the following example.~~]

[~~Attached Graphic~~]

[~~(9) A sample model security document is presented in the following example.~~]

[~~Attached Graphic~~]

[~~(b) A licensee has considerable flexibility to arrange the format of the model form if the revised format does not significantly adversely affect the substance, clarity, or meaningful sequence of the disclosures.~~]

[~~*Subchapter F. Second Lien Home Improvement Contracts (Subchapter G)*~~]

[~~*§90.601. Purpose*~~]

[~~(a) The purpose of the rules contained in this subchapter is to provide a model plain language contract in English for Texas Finance Code, Chapter 342, Subchapter G home improvement transactions. The establishment of model provisions for these transactions will encourage use of simplified wording that will ultimately benefit consumers by making these contracts easier to understand. Use of the "plain language" model contract by a licensee is not mandatory. The licensee, however, may not use a contract other than a model contract unless the licensee has submitted the contract to the OCCC in compliance with §90.104 of this title (relating to Non-Standard Contract Filing Procedures). The OCCC will issue an order disapproving the contract if the OCCC determines the contract does not comply with Texas Finance Code, §341.502 or rules adopted under this chapter. A licensee may not claim the OCCC's failure to disapprove a contract constitutes approval.~~]

[~~(b) The provisions in this subchapter are intended to constitute a complete plain language Chapter 342, Subchapter G home improvement transaction; however, a licensee is not limited to the contract provisions addressed by these rules.~~]

[~~*§90.602. Contract Provisions*~~]

[~~(a) A Chapter 342, Subchapter G second lien home improvement loan transaction may include, but is not limited to, the following contract provisions to the extent not prohibited by law or regulation. If the licensee desires to exercise its rights under one of the following provisions, it must include that provision in the contract. A licensee who does not desire to apply a provision is not required to include it in the contract. For example, a licensee who does not assess a fee for dishonored checks may omit the fee for dishonored check clause. A licensee may also exclude non-relevant portions of a model clause. For example, a licensee who does not routinely finance certain insurance coverages may omit those non-applicable portions of the model clause. A Chapter 342, Subchapter G home improvement loan transaction may contain the following provisions:~~]

[~~(1) For a contract for use in a transaction that does not allow withdrawals or multiple advances:~~]

[~~(A) An identification clause;~~]

[~~(B) A definitions section;~~]

[~~(C) A provision regarding construction of improvements;~~]

[~~(D) A clause regarding the contract price;~~]

[~~(E) A transfer of lien clause;~~]

[~~(F) A provision specifying that completion is made by the contractor, not the lender;~~]

[~~(G) A partial lien clause;~~]

[~~(H) A provision regarding changes and extras;~~]

[~~(I) A provision regarding receipts and releases;~~]

[~~(J) A provision specifying that no work has been done prior to execution of the contract;~~]

[~~(K) A provision regarding the trustee's duties;~~]

[~~(L) A notice specifying the preservation of claims and defenses;~~]

[~~(M) A notice specifying that the owner and the contractor are responsible for meeting the terms of the contract;~~]

[~~(N) An assignment; and~~]

[~~(O) A provision regarding notice of confidentiality rights.~~]

[~~(2) For a promissory note for use in a transaction that does not allow withdrawals or multiple advances:~~]

[~~(A) An identification clause;~~]

[~~(B) A security for payment provision;~~]

[~~(C) A definitions section;~~]

[~~(D) A promise to pay;~~]

[~~(E) A late charge provision;~~]

[~~(F) A provision for after maturity interest;~~]

[~~(G) A prepayment clause;~~]

[~~(H) A provision specifying the finance charge earnings and refund method;~~]

[~~(I) A deferment clause;~~]

[~~(J) A provision contracting for a fee for a dishonored check;~~]

[~~(K) A provision specifying the conditions causing default;~~]

[~~(L) A provision regarding property insurance;~~]

[~~(M) A credit insurance disclosure box;~~]

[~~(N) A provision regarding the mailing of notices to the borrower;~~]

[~~(O) A provision specifying that the borrower's statements are truthful;~~]

[~~(P) A provision regarding the due on sale clause, notice of intent to accelerate, and notice of acceleration;~~]

[~~(Q) A provision expressing no waiver of the lender's rights;~~]

[~~(R) A collection expenses clause;~~]

[~~(S) A provision providing for joint liability;~~]

[~~(T) A usury savings clause;~~]

[~~(U) A savings clause stating that if any part of the loan agreement is invalid, the rest remains valid;~~]

[~~(V) An integration clause stating that the contract supersedes all prior agreements and that the contract may not be changed by oral agreement;~~]

[~~(W) A provision specifying that federal law and Texas law apply to the contract;~~]

[~~(X) OCCC notice;~~]

[~~(Y) A provision describing the collateral;~~]

[~~(Z) A notice regarding the preservation of claims and defenses; and~~]

[~~(AA) Signature blocks.~~]

[~~(3) For a contract for use in a transaction that allows for withdrawals or multiple advances:~~]

[~~(A) An identification clause;~~]

[~~(B) A definitions section;~~]

[~~(C) A provision regarding construction of improvements;~~]

[~~(D) A clause regarding the contract price;~~]

[~~(E) A clause regarding the note payable to the lender;~~]

[~~(F) A clause regarding the note being secured by the lien;~~]

[~~(G) A transfer of lien clause;~~]

[~~(H) A clause regarding exceptions to conveyance and warranty;~~]

[~~(I) A provision specifying that completion is made by the contractor, not the lender;~~]

[~~(J) A partial lien clause;~~]

[~~(K) A provision regarding changes and extras;~~]

[~~(L) A provision regarding receipts and releases;~~]

[~~(M) A provision specifying that no work has been done prior to execution of the contract;~~]

[~~(N) A provision regarding the owner's promises and rights;~~]

[~~(O) A provision regarding the owner's duties;~~]

[~~(P) A provision regarding the contractor's duties;~~]

[~~(Q) A provision regarding the contractor's rights;~~]

[~~(R) A provision regarding the trustee's duties;~~]

[~~(S) General provisions;~~]

[~~(T) A notice specifying the preservation of claims and defenses;~~]

[~~(U) A notice specifying that the owner and the contractor are responsible for meeting the terms of the contract;~~]

[~~(V) An assignment; and~~]

[~~(W) A provision regarding notice of confidentiality rights.~~]

[~~(4) For a promissory note for use in a transaction that allows for withdrawals or multiple advances:~~]

[~~(A) An identification clause;~~]

[~~(B) A security for payment provision;~~]

[~~(C) A definitions section;~~]

[~~(D) A promise to pay;~~]

[~~(E) A late charge provision;~~]

[~~(F) A provision for after maturity interest;~~]

[~~(G) A prepayment clause;~~]

[~~(H) A provision specifying the finance charge earnings and refund method;~~]

[~~(I) A deferment clause;~~]

[~~(J) A provision contracting for a fee for a dishonored check;~~]

[~~(K) A provision specifying the conditions causing default;~~]

[~~(L) A provision regarding property insurance;~~]

[~~(M) A credit insurance disclosure box;~~]

[~~(N) A provision regarding the mailing of notices to the borrower;~~]

[~~(O) A provision specifying that the borrower's statements are truthful;~~]

[~~(P) A provision regarding the due on sale clause, notice of intent to accelerate, and notice of acceleration;~~]

[~~(Q) A provision expressing no waiver of the lender's rights;~~]

[~~(R) A collection expenses clause;~~]

[~~(S) A provision providing for joint liability;~~]

[~~(T) A usury savings clause;~~]

[~~(U) A savings clause stating that if any part of the loan agreement is invalid, the rest remains valid;~~]

[~~(V) An integration clause stating that the contract supersedes all prior agreements and that the contract may not be changed by oral agreement;~~]

[~~(W) A provision specifying that the note is secured by a deed of trust;~~]

[~~(X) A provision specifying that federal law and Texas law apply to the contract;~~]

[~~(Y) OCCC notice;~~]

[~~(Z) A provision describing the collateral;~~]

[~~(AA) A notice regarding the preservation of claims and defenses; and~~]

[~~(BB) Signature blocks.~~]

[~~(5) For a deed of trust for use in a transaction that allows for withdrawals or multiple advances:~~]

[~~(A) A definitions section;~~]

[~~(B) A provision regarding the transfer of rights in the property;~~]

[~~(C) A provision regarding late charges and prepayment of principal and interest;~~]

[~~(D) A provision regarding the funds for escrow items;~~]

[~~(E) A provision regarding charges and liens;~~]

[~~(F) A provision regarding property insurance;~~]

[~~(G) A provision regarding preservation, maintenance, protection, and inspection of the property;~~]

[~~(H) A provision regarding protection of the lender's interest in the property and rights under the deed of trust;~~]

[~~(I) A provision regarding the assignment of miscellaneous proceeds and forfeiture;~~]

[~~(J) A provision expressing no waiver of the lender's rights;~~]

[~~(K) A provision regarding joint and several liability and specifying that the person who signs the contract grants ownership in the homestead and binds the person's successors and assigns;~~]

[~~(L) A usury savings clause;~~]

[~~(M) A provision regarding the mailing of notices to the borrower;~~]

[~~(N) A provision specifying that federal law and Texas law apply to the contract;~~]

[~~(O) A provision regarding rules of clause construction;~~]

[~~(P) A provision specifying that the licensee will give the borrower a copy of all signed documents at the time the loan agreement is made;~~]

[~~(Q) A provision regarding the due on sale clause, notice of intent to accelerate, and notice of acceleration;~~]

[~~(R) Lender, contractor, and borrower's promise and agreement;~~]

[~~(S) A provision regarding acceleration and remedies;~~]

[~~(T) A provision regarding the power of sale;~~]

[~~(U) A provision regarding the borrower's right to reinstate after acceleration;~~]

[~~(V) A provision regarding the assignment of rents, appointment of receiver, and the lender in possession;~~]

[~~(W) A provision regarding release of the lien;~~]

[~~(X) A provision regarding trustees and trustee liability;~~]

[~~(Y) A provision regarding the assignment of the contractor's lien and commencement of the work;~~]

[~~(Z) A provision regarding subrogation;~~]

[~~(AA) A provision regarding what happens if the sum secured and other charges violate applicable law;~~]

[~~(BB) A provision regarding the renewal and extension of the note secured by the deed of trust;~~]

[~~(CC) A provision regarding the sale of the loan, change of loan servicer, notice of grievance, and the lender's right to comply;~~]

[~~(DD) A provision regarding hazardous substances;~~]

[~~(EE) A provision regarding the lender's rights and the borrower's responsibilities;~~]

[~~(FF) A provision regarding default;~~]

[~~(GG) A provision regarding the lender and the borrower's request for notice of default and foreclosure under superior mortgages or deeds of trust;~~]

[~~(HH) Signature blocks; and~~]

[~~(II) A provision regarding notice of confidentiality rights.~~]

[~~(b) The provisions described in this section are separate from the TILA-RESPA integrated disclosures required under Regulation Z, 12 C.F.R. §§1026.19, 1026.37 and 1026.38.~~]

[~~*§90.603. Model Clauses*~~]

[~~(a) Generally. These model clauses are the plain language rendition of contract clauses that have typically been stated in technical legal terms. Nothing in this regulation prohibits a contract from including provisions that provide more favorable results for the borrower than those that would result from the use of a model clause.~~]

[~~(b) Model clauses for a Chapter 342, Subchapter G second lien home improvement loan contract for use in a transaction that does not allow for withdrawals or multiple advances.~~]

[~~(1) Identification. The model identification clause reads:~~]

[~~Attached Graphic~~]

[~~(2) Definitions. The model definitions section reads:~~]

[~~(A) "Owner" means (name of Owner), whose address is (address of Owner, including county). If Owner and Maker are not the same person, the word "Owner" includes Maker. "I" or "me" means the Owner.~~]

[~~(B) "Contractor" means (name of Contractor), whose address is (address of Contractor, including county) and includes those to whom the Contractor has assigned or transferred Contractor's rights and remedies. "You" or "your" means the Contractor.~~]

[~~(C) "Lender" means (name of Lender), whose address is (address of Lender, including county) and includes those to whom the Lender has assigned or transferred Lender's rights and remedies. The Lender's NMLS ID is (NMLS ID of Lender). The loan originator's name is (name of loan originator with primary responsibility for the origination). The loan originator's NMLS ID is (NMLS ID of originator).~~]

[~~(D) "Trustee" means (name of Trustee), whose address is (address of Trustee, including county).~~]

[~~(E) "Property" means the Property at (list address of the Property), whose legal description is (list legal description of the Property).~~]

[~~(F) "Work" means the construction project as agreed to in writing between the Owner and Contractor.~~]

[~~(G) "Completion Date" means (date on which the Work will be completed).~~]

[~~(H) "Contract" means this Texas Home Improvement Mechanic's Lien Contract for Improvement and Power of Sale.~~]

[~~(3) Construction of improvements. The model clause regarding construction of improvements reads: "You agree to furnish and pay for all labor and material needed to complete the Work within _____ days from the date of this Contract. The Work will be performed on the Property in a good and workmanlike manner."~~]

[~~(4) Contract price. The model clause establishing the contract price reads: "I agree to pay, or cause to be paid, to you, or to your order, the sum of ____________________ dollars (U.S. $______________________) when the Work is completed."~~]

[~~(5) Transfer of lien. The model clause regarding the transfer of the lien reads: "You transfer to Lender all of your rights and interests in this Contract."~~]

[~~(6) Completion by contractor, but not lender. The model clause specifying that the lender is not responsible for completing the construction reads: "You will complete the Work by the~~

~~Completion Date. Lender is not responsible for completing the Work. Lender is not a guarantor of your performance. You will indemnify and hold Lender harmless against all claims related to the Work."~~]

[~~(7) Partial lien. The model clause regarding a partial lien reads: "If you do not complete the Work by the Completion Date in a good and workmanlike manner, then Lender will have a valid lien for the contract price, less the amount reasonably necessary to complete the Work. As an alternative, Lender may choose to complete the Work and the lien will be valid for the contract price."~~]

[~~(8) Changes and extras. The model clause regarding changes and extras reads: "All labor or material furnished outside of this Contract must be agreed upon in writing or it will be considered as performed under the original Contract and you will receive no extra money."~~]

[~~(9) Receipts and releases. The model clause regarding receipts and releases reads: "If I ask, you will give me valid receipts and releases for the Work from any subcontractor, worker, and supplier."~~]

[~~(10) No work commenced. The model clause specifying that no work has commenced prior to execution of the contract reads: "This Contract is executed, acknowledged, and delivered before any labor has been performed and any material has been furnished for the Work."~~]

[~~(11) Trustee's duties. The model clause regarding the trustee's duties reads:~~]

[~~Attached Graphic~~]

[~~(12) Preservation of claims and defenses. In accordance with the Federal Trade Commission's Holder in Due Course Rule, 16 C.F.R. §433.2, it is an unfair or deceptive act or practice to take or receive a consumer credit contract in connection with the sale or lease of goods or services to consumers that does not include the following notice. The notice regarding the preservation of claims and defenses reads: "NOTICE. ANY HOLDER OF THIS CONSUMER CREDIT CONTRACT IS SUBJECT TO ALL CLAIMS AND DEFENSES WHICH THE DEBTOR COULD ASSERT AGAINST THE SELLER OF GOODS OR SERVICES OBTAINED PURSUANT HERETO OR WITH THE PROCEEDS HEREOF. RECOVERY HEREUNDER BY THE DEBTOR SHALL NOT EXCEED AMOUNTS PAID BY THE DEBTOR HEREUNDER."~~]

[~~(13) Owner and contractor responsible. Texas Property Code, §41.007 specifies that a home improvement contract must contain a notice specifying that the owner and the contractor are responsible for meeting the terms of the contract. This notice must appear either in this contract or in the residential construction contract. The Property Code requires that the notice must be conspicuously printed, stamped, or typed in a font size equal to at least 10-point boldfaced type or computer equivalent and appear next to the owner's signature line on the contract. The wording of the notice is specified by the Property Code, which uses the pronouns "you" and "your" to refer to the owner. Licensees are encouraged to explain in the contract, prior to the notice, that "you" and "your" refer to the owner in this notice. The parties' signatures must be notarized. The licensee may use a different notary acknowledgment without having to submit the contract to the agency as a non-standard contract. The notice specifying that the owner and the contractor are responsible~~

~~for meeting the terms of the contract, the model explanatory clause regarding the use of "you" and "your" in the notice, and the signature blanks read:~~]

[~~Attached Graphic~~]

[~~(14) Assignment. The parties may use a different assignment or a separate document for the assignment without having to submit the contract to the agency as a non-standard contract. The model assignment in which the contractor transfers and assigns the lien to the licensee reads:~~]

[~~Attached Graphic~~]

[~~(15) Notice of confidentiality rights disclosure. The security document must incorporate a "Notice of Confidentiality Rights" disclosure. The disclosure or notice must:~~]

[~~(A) appear on the top of the first page of the security document;~~]

[~~(B) be in at least 12-point boldfaced type or 12-point uppercase lettering; and~~]

[~~(C) be substantially similar to the required notice or disclosure under Texas Property Code, §11.008(b). The model notice of confidentiality rights reads: "NOTICE OF CONFIDENTIALITY RIGHTS: I MAY REMOVE OR STRIKE MY SOCIAL SECURITY NUMBER OR MY DRIVER'S LICENSE NUMBER FROM THIS DOCUMENT BEFORE IT IS FILED IN THE PUBLIC RECORDS."~~]

[~~(c) Model clauses for a Chapter 342, Subchapter G second lien home improvement loan promissory note for use in a transaction that does not allow for withdrawals or multiple advances.~~]

[~~(1) Identification.~~]

[~~(A) The model identification clause lists the account or contract number, the name and address of the lender, the date of the note, the name and address of the borrower, the property address, the principal amount, and the terms of payment. It also lists the following items that must be included on the promissory note under Regulation Z, 12 C.F.R. §1026.36(g):~~]

[~~(i) the lender's Nationwide Mortgage Licensing System and Registry identification number (labeled "Creditor/Lender NMLS ID");~~]

[~~(ii) the name of the individual residential mortgage loan originator with primary responsibility for the origination (labeled "Loan Originator"); and~~]

[~~(iii) the originator's Nationwide Mortgage Licensing System and Registry identification number (labeled "Loan Originator NMLS ID").~~]

[~~(B) The model identification clause reads:~~]

[~~Attached Graphic~~]

[~~(2) Security for payment. The model clause relating to the security for payment reads: "Liens created in the Contract secure this Note. You will have a security interest in the following described property: (property description)"~~]

[~~(3) Definitions. The model definitions section reads:~~]

[~~(A) "Owner" means (name of Owner), whose address is (address of Owner, including county). If Owner and Maker are not the same person, the word "Owner" includes Maker.~~]

[~~(B) "Contractor" means (name of Contractor), whose address is (address of Contractor, including county) and includes those to whom the Contractor has assigned or transferred Contractor's rights and remedies.~~]

[~~(C) "Contract" means this Texas Home Improvement Mechanic's Lien Contract for Improvement and Power of Sale dated ___________________________ between Contractor and Owner.~~]

[~~(D) "Property" means the Property at (list address of the Property), whose legal description is (list legal description of the Property).~~]

[~~(E) "Note" means the Texas Home Improvement Mechanic's Lien Note signed by me and dated _____________________________ and includes all amounts secured by this Contract. The Note states that the amount I owe you is _______________ dollars (U.S. $____________________) plus interest. I have promised to pay this debt in regular periodic payments and to pay the debt in full not later than __________________.~~]

[~~(4) Promise to pay. One permissible change to the model language for the scheduled installment earnings method would be to allow partial prepayments of the principal during the term of the loan. This variation on the scheduled installment earnings method would allow periodic reductions of the principal balance by partial prepayments. This variation would allow reductions of the principal balance that were not originally scheduled. The model clause options for the borrower's promise to pay read:~~]

[~~(A) For contracts using the scheduled installment earnings method: "I promise to pay the Total of Payments to the order of you. (The "principal" or "cash advance" is $________. This amount plus interest must be paid by _________ (maturity date).) I will make payments to you at the address above or as you direct. I will make the payments on the dates and in the amounts shown in the Payment Schedule."~~]

[~~(B) For contracts using the true daily earnings method: "I promise to pay the cash advance plus the accrued interest to the order of you. (The "principal" or "cash advance" is $________. This amount plus interest must be paid by _________ (maturity date).) I will make payments to you at the address above or as you direct. I will make the payments on the dates and in the amounts shown in the Payment Schedule."~~]

[~~(C) The model payment schedule reads:~~]

[~~Attached Graphic~~]

[~~(5) Late charge.~~]

[~~(A) Generally. The general late charge provision for contracts using the scheduled installment earnings method or the true daily earnings method reads: "If I don't pay all of a payment within 10 days after it is due, you can charge me a late charge. The late charge will be 5% of the scheduled payment."~~]

[~~(B) High-cost mortgage loans. The model late charge provision for high-cost mortgage loans subject to the limitation on late charges in Regulation Z, 12 C.F.R. §1026.34(a)(8), reads: "If I don't pay all of a payment within 15 days after it is due, you can charge me a late charge. The late charge will be 4% of the amount of the payment past due."~~]

[~~(6) After maturity interest. The model clause specifies the maximum interest rate allowed by law for after maturity interest for contracts using the scheduled installment earnings method. A licensee may always choose a lower rate. The model provision for after maturity interest reads: "If I don't pay all I owe when the final payment becomes due, I will pay interest on the amount that is still unpaid. That interest will be the higher of the rate of 18% per year or the maximum rate allowed by law. That interest will begin the day after the final payment becomes due."~~]

[~~(7) Prepayment clause. The model prepayment clause options read:~~]

[~~(A) For contracts using the scheduled installment earnings method: "I can make a whole payment early. Unless you agree otherwise in writing, I may not skip payments. If I make a payment early, my next payment will still be due as scheduled."~~]

[~~(B) For contracts using the true daily earnings method: "I can make any payment early. Unless you agree otherwise in writing, I may not skip payments. If I make a payment early, my next payment will still be due as scheduled."~~]

[~~(8) Finance charge earnings and refund method. The model provision options specifying the finance charge earnings and refund method read:~~]

[~~(A) For contracts using the scheduled installment earnings method - Section 342.301 rate loans, the model language reads:~~]

[~~Attached Graphic~~]

[~~(B) For contracts using the scheduled installment earnings method with prepayments option - Section 342.301 rate loans, the model language reads:~~]

[~~Attached Graphic~~]

[~~(C) For contracts using the true daily earnings method - Section 342.301 rate loans, the model language reads:~~]

[~~Attached Graphic~~]

[~~(9) Deferment. The model provision regarding deferment reads: "If I ask for more time to make any payment and you agree, I will pay more interest to extend the payment. The extra interest will be figured under the Finance Commission rules."~~]

[~~(10) Fee for dishonored check clause. The model clause specifies the maximum allowable dishonored check fee. A licensee may always choose a lesser amount. The model fee for dishonored check provision reads: "I agree to pay you a fee of up to $30 for a returned check. You may add the fee to the amount I owe or collect it separately."~~]

[~~(11) Default. The model provision specifying the conditions causing default reads:~~]

[~~Attached Graphic~~]

[~~(12) Property insurance. The model provision regarding property insurance reads:~~]

[~~Attached Graphic~~]

[~~(13) Credit insurance. If single premium credit insurance is offered, a permissible change to the disclosure can be to offer a single charge for the entire term of the loan. The term for the single premium charge should be shown for the original term of the loan, unless otherwise specified. The licensee has the option of including language that reads: "The insurance will cancel on the date when the total past due premiums equal or exceed (insert number) times the first month's premium." The industry standard regarding the relationship between total past due premiums and the first month's premium in this equation appears to be four times. However, if a different time frame is more appropriate, that time frame may be used. The model credit insurance disclosure box reads:~~]

[~~Attached Graphic~~]

[~~(14) Mailing of notices to borrower. The duty to give notice is satisfied when it is mailed by first class mail. The model provision regarding the mailing of notices to the borrower reads: "You or I may mail or deliver any notice to the address above. You or I may change the notice address by giving written notice. Your duty to give me notice will be satisfied when you mail it."~~]

[~~(15) Statement of truthful information. The model provision specifying that the borrower gave truthful information reads: "I promise that all information I gave you is true."~~]

[~~(16) Due on sale clause, notice of intent to accelerate, and notice of acceleration. The model provision regarding the due on sale clause, notice of intent to accelerate, and notice of acceleration reads: "If all or any interest in the Property is sold or transferred without your prior written consent, you may require immediate payment in full of all that I owe under this loan agreement. You will not exercise this option if prohibited by law. If you exercise this option, you will give me notice that you are demanding payment of all that I owe. This notice will give me a period of not less than 21 days from the date of the notice within which I must pay all that I owe under this loan agreement. If I fail to pay all that I owe before the end of this period, you may use any remedy allowed by the loan agreement."~~]

[~~(17) No waiver of the lender's rights. The model provision expressing no waiver of the lender's rights reads: "If you don't enforce your rights every time, you can still enforce them later."~~]

[~~(18) Collection expenses. The model collection expenses clause reads: "If you require me to pay all that I owe at once, you will have the right to be paid back by me for all of your costs and expenses in enforcing this loan agreement to the extent not prohibited by applicable law. These expenses include, for example, reasonable attorneys' fees."~~]

[~~(19) Joint liability. The model provision providing for joint liability reads: "I understand that you may seek payment from only me without first looking to any other Borrower."~~]

[~~(20) Usury savings clause. The model usury savings clause reads: "I do not have to pay interest or other amounts that are more than applicable law allows."~~]

[~~(21) Savings clause. The savings model clause stating that if any part of the contract is invalid, the rest remains valid reads: "If any part of this loan agreement is declared invalid, the rest of the loan agreement remains valid. If any part of this loan agreement conflicts with any law, that law will control. The part of the loan agreement that conflicts with any law will be modified to comply with the law. The rest of the loan agreement remains valid."~~]

[~~(22) Prior agreements. For loan agreements exceeding $50,000, this notice must be boldfaced, capitalized, underlined, or otherwise set out from the surrounding written material to be conspicuous. The model clause stating that there are no prior agreements between the parties regarding the loan agreement reads: "This written loan agreement is the final agreement between you and me. It may not be changed by prior, current, or future oral agreements between you and me. There are no oral agreements between you and me relating to this loan agreement. Any change to this loan agreement must be in writing. Both you and I have to sign written agreements."~~]

[~~(23) Application of law. The model clause specifying that federal law and Texas law apply to the contract reads: "Federal law and Texas law apply to this loan agreement."~~]

[~~(24) OCCC notice. Under §90.105 of this title (relating to OCCC Notice), the following required notice must be given by licensees to let consumers know how to file complaints: "For questions or complaints about this loan, contact (insert name of lender) at (insert lender's phone number and, at lender's option, one or more of the following: mailing address, fax number, website, e-mail address). The lender is licensed and examined under Texas law by the Office of Consumer Credit Commissioner (OCCC), a state agency. If a complaint or question cannot be resolved by contacting the lender, consumers can contact the OCCC to file a complaint or ask a general credit-related question. OCCC address: 2601 N. Lamar Blvd., Austin, Texas 78705. Phone: (800) 538-1579. Fax: (512) 936-7610. Website: occc.texas.gov. E-mail: consumer.complaints@occc.texas.gov."~~]

[~~(25) Collateral. The model clause regarding the collateral reads: "The Property is subject to the Contract lien. I am responsible for all obligations in this Note."~~]

[~~(26) Preservation of claims and defenses. In accordance with the Federal Trade Commission's Holder in Due Course Rule, 16 C.F.R. §433.2, it is an unfair or deceptive act or practice to take or receive a consumer credit contract in connection with the sale or lease of goods~~

~~or services to consumers that does not include the following notice. The notice regarding the preservation of claims and defenses reads: "NOTICE. ANY HOLDER OF THIS CONSUMER CREDIT CONTRACT IS SUBJECT TO ALL CLAIMS AND DEFENSES WHICH THE DEBTOR COULD ASSERT AGAINST THE SELLER OF GOODS OR SERVICES OBTAINED PURSUANT HERETO OR WITH THE PROCEEDS HEREOF. RECOVERY HEREUNDER BY THE DEBTOR SHALL NOT EXCEED AMOUNTS PAID BY THE DEBTOR HEREUNDER."~~]

[~~(27) Signature blocks. Documents for a home improvement loan on a homestead must be signed at the office of the lender, an attorney at law, or a title company. If this provision applies, the model clause, "This document must be signed at the office of the Lender, an attorney at law, or a title company" should appear above the signature of the borrower. The licensee may also provide additional signature lines for witness signatures. The model signature block reads:~~]

[~~Attached Graphic~~]

[~~(d) Model clauses for a Chapter 342, Subchapter G second lien home improvement loan contract for use in a transaction that allows for withdrawals or multiple advances.~~]

[~~(1) Identification. The model identification clause listing the date and the account or contract number reads:~~]

[~~Attached Graphic~~]

[~~(2) Definitions. The model definitions section reads:~~]

[~~(A) "Owner" means (name of Owner), whose address is (address of Owner, including county). If Owner and Maker are not the same person, the word "Owner" includes Maker. "I" or "me" means the Owner.~~]

[~~(B) "Contractor" means (name of Contractor), whose address is (address of Contractor, including county) and includes those to whom the Contractor has assigned or transferred Contractor's rights and remedies. "You" or "your" means the Contractor.~~]

[~~(C) "Lender" means (name of Lender), whose address is (address of Lender, including county) and includes those to whom the Lender has assigned or transferred Lender's rights and remedies. The Lender's NMLS ID is (NMLS ID of Lender). The loan originator's name is (name of loan originator with primary responsibility for the origination). The loan originator's NMLS ID is (NMLS ID of originator).~~]

[~~(D) "Trustee" means (name of Trustee), whose address is (address of Trustee, including county).~~]

[~~(E) "Property" means the Property at (list address of the Property), whose legal description is (list legal description of the Property).~~]

[~~(F) "Work" means the construction project as agreed to in writing between the Owner and Contractor.~~]

[~~(G) "Completion Date" means (date on which the Work will be completed).~~]

[~~(H) "Contract" means this Texas Home Improvement Mechanic's Lien Contract for Improvement, Power of Sale, and Deed of Trust.~~]

[~~(I) "Note" means the Texas Home Improvement Mechanic's Lien Note signed by me and dated ___________________________________ and includes all amounts secured by this Contract. The Note states that the amount I owe you is _______________________________ dollars (U.S. $____________________) plus interest.~~]

[~~(J) "Loan Agreement" means the Note, Contract, and any other related document under which Lender has made a loan to me.~~]

[~~(K) "Applicable Law" means all controlling applicable federal, state, and local law.~~]

[~~(L) "Tenant at Sufferance" means a person who continues to possess the Property with no current right to possess it.~~]

[~~(M) "Forcible Detainer" means a lawsuit to remove a person from the Property.~~]

[~~(N) "Periodic Payment" means the regularly scheduled amount due for principal and interest under the Note plus any amount under this Contract.~~]

[~~(O) "Successor in Interest" means any party that has taken title to the Property.~~]

[~~(P) "Lien" means the Mechanic's and Materialman's Lien on the Property that results from the Contract and the Work performed. The Lien includes all existing and future improvements, easements, and rights in the Property.~~]

[~~(3) Construction of improvements. The model clause regarding construction of improvements reads: "You agree to furnish and pay for all labor and material needed to complete the Work within _____ days from the date of this Contract. The Work will be performed on the Property in a good and workmanlike manner."~~]

[~~(4) Contract price. The model clause establishing the contract price reads: "I agree to pay, or cause to be paid, to you, or to your order, the sum of ________________ dollars (U.S. $________________) when the Work is completed."~~]

[~~(5) Note payable to lender. The model clause specifying that the note is payable to the lender reads: "In exchange for money from the Lender to you, I have signed a Note to the Lender in the amount of ___________________ dollars (U.S. $___________________)."~~]

[~~(6) Lien to secure note. The model clause regarding security for the note reads: "To secure the amounts Lender provides to you, and the interest payable to Lender, I give you, and you transfer to Lender, the Lien. The Note is secured by a deed of trust, which I will sign. The deed of trust will renew and extend the Lien created by this Contract."~~]

[~~(7) Transfer of lien. The model clause regarding the transfer of the lien reads: "You transfer to Lender all of your rights and interests in this Contract."~~]

[~~(8) Exceptions to conveyance and warranty. Any exceptions to conveyance and warranty should be specified in the contract. The model clause regarding the exceptions to conveyance and warranty reads: "The exceptions to conveyance and warranty are: (List any exceptions to conveyance and warranty.)"~~]

[~~(9) Completion by contractor, but not lender. The model clause specifying that the lender is not responsible for completing the construction reads: "You will complete the Work by the Completion Date. Lender is not responsible for completing the Work. Lender is not a guarantor of your performance. You will indemnify and hold Lender harmless against all claims related to the Work."]~~

[~~(10) Partial lien. The model clause regarding a partial lien reads: "If you do not complete the Work by the Completion Date in a good and workmanlike manner, then Lender will have a valid lien for the contract price, less the amount reasonably necessary to complete the Work. As an alternative, Lender may choose to complete the Work and the lien will be valid for the contract price."~~]

[~~(11) Changes and extras. The model clause regarding changes and extras reads: "All labor or material furnished outside of this Contract must be agreed upon in writing or it will be considered as performed under the original Contract and you will receive no extra money."~~]

[~~(12) Receipts and releases. The model clause regarding receipts and releases reads: "If I ask, you will give me valid receipts and releases for the Work from any subcontractor, worker, and supplier."~~]

[~~(13) No work commenced. The model clause specifying that no work has commenced prior to execution of the contract reads: "This Contract is executed, acknowledged, and delivered before any labor has been performed and any material has been furnished for the Work."~~]

[~~(14) Owner's promises and rights. The model clause regarding the owner's promises and rights reads:~~]

[~~Attached Graphic~~]

[~~(15) Owner's duties. The model clause regarding the owner's duties reads:~~]

[~~Attached Graphic~~]

[~~(16) Contractor's duties. The model clause regarding the contractor's duties reads:~~]

[~~Attached Graphic~~]

[~~(17) Contractor's rights. The model clause regarding the contractor's rights reads:~~]

[~~Attached Graphic~~]

[~~(18) Trustee's duties. The model clause regarding the trustee's duties reads:~~]

[~~Attached Graphic~~]

[~~(19) General provisions. The model clause regarding general contract provisions reads:~~]

[~~Attached Graphic~~]

[~~(20) Preservation of claims and defenses. In accordance with the Federal Trade Commission's Holder in Due Course Rule, 16 C.F.R. §433.2, it is an unfair or deceptive act or practice to take or receive a consumer credit contract in connection with the sale or lease of goods or services to consumers that does not include the following notice. The notice regarding the preservation of claims and defenses reads: "NOTICE. ANY HOLDER OF THIS CONSUMER CREDIT CONTRACT IS SUBJECT TO ALL CLAIMS AND DEFENSES WHICH THE DEBTOR COULD ASSERT AGAINST THE SELLER OF GOODS OR SERVICES OBTAINED PURSUANT HERETO OR WITH THE PROCEEDS HEREOF. RECOVERY HEREUNDER BY THE DEBTOR SHALL NOT EXCEED AMOUNTS PAID BY THE DEBTOR HEREUNDER."~~]

[~~(21) Owner and contractor responsible. Texas Property Code, §41.007 specifies that a home improvement contract must contain a notice specifying that the owner and the contractor are responsible for meeting the terms of the contract. The notice must appear in either this contract or the residential construction contract. The Property Code requires that the notice must be conspicuously printed, stamped, or typed in a font size equal to at least 10-point boldfaced type or computer equivalent and appear next to the owner's signature line on the contract. The wording of the notice is specified by the Property Code, which uses the pronouns "you" and "your" to refer to the owner. Licensees are encouraged to explain in the contract, prior to the notice, that "you" and "your" refer to the owner in this notice. The parties' signatures must be notarized. The licensee may use a different notary acknowledgment without having to submit the contract to the agency as a non-standard contract. The notice specifying that the owner and the contractor are responsible for meeting the terms of the contract, the model explanatory clause regarding the use of "you" and "your" in the notice, and the signature blanks read:~~]

[~~Attached Graphic~~]

[~~(22) Assignment. The parties may use a different assignment or a separate document for the assignment without having to submit the contract to the agency as a non-standard contract. The model assignment in which the contractor transfers and assigns the lien to the licensee reads:~~]

[~~Attached Graphic~~]

[~~(23) Notice of confidentiality rights disclosure. The security document must incorporate a "Notice of Confidentiality Rights" disclosure. The disclosure or notice must:~~]

[~~(A) appear on the top of the first page of the security document;~~]

[~~(B) be in at least 12-point boldfaced type or 12-point uppercase lettering; and~~]

[~~(C) be substantially similar to the required notice or disclosure under Texas Property Code, §11.008(b). The model notice of confidentiality rights reads: "NOTICE OF CONFIDENTIALITY RIGHTS: I MAY REMOVE OR STRIKE MY SOCIAL SECURITY NUMBER OR MY DRIVER'S LICENSE NUMBER FROM THIS DOCUMENT BEFORE IT IS FILED IN THE PUBLIC RECORDS."~~]

[~~(e) Model clauses for a Chapter 342, Subchapter G second lien home improvement loan promissory note for use in a transaction that allows for withdrawals or multiple advances.~~]

[~~(1) Identification.~~]

[~~(A) The model identification clause lists the account or contract number, the name and address of the lender, the date of the note, the name and address of the borrower, the property address, the principal amount, and the terms of payment. It also lists the following items that must be included on the promissory note under Regulation Z, 12 C.F.R. §1026.36(g):~~]

[~~(i) the lender's Nationwide Mortgage Licensing System and Registry identification number (labeled "Creditor/Lender NMLS ID");~~]

[~~(ii) the name of the individual residential mortgage loan originator with primary responsibility for the origination (labeled "Loan Originator"); and~~]

[~~(iii) the originator's Nationwide Mortgage Licensing System and Registry identification number (labeled "Loan Originator NMLS ID").~~]

[~~(B) The model identification clause reads:~~]

[~~Attached Graphic~~]

[~~(2) Security for payment. The model clause relating to the security for payment reads: "The Deed of Trust and the Lien created in the Contract secure this Note. You will have a security interest in the following described property: (property description)"~~]

[~~(3) Definitions. The model definitions section reads:~~]

[~~(A) "Owner" means (name of Owner), whose address is (address of Owner, including county). If Owner and Maker are not the same person, the word "Owner" includes Maker.~~]

[~~(B) "Contractor" means (name of Contractor), whose address is (address of Contractor, including county) and includes those to whom the Contractor has assigned or transferred Contractor's rights and remedies.~~]

[~~(C) "Lender" means (name of Lender), whose address is (address of Lender, including county) and includes those to whom the Lender has assigned or transferred Lender's rights and remedies.~~]

[~~(D) "Trustee" means (name of Trustee), whose address is (address of Trustee, including county).~~]

[~~(E) "Property" means the Property at (list address of the Property), whose legal description is (list legal description of the Property).~~]

[~~(F) "Work" means the construction project as agreed to in writing between the Owner and Contractor.~~]

[~~(G) "Completion Date" means (date on which the Work will be completed).~~]

[~~(H) "Contract" means this Texas Home Improvement Mechanic's Lien Contract for Improvement, Power of Sale, and Deed of Trust.~~]

[~~(I) "Note" means the Texas Home Improvement Mechanic's Lien Note signed by me and dated ______________________ and includes all amounts secured by this Contract. The Note states that the amount I owe you is _______________________ dollars (U.S. $_________________) plus interest.~~]

[~~(J) "Loan Agreement" means the Note, Contract, and any other related document under which Lender has made a loan to me.~~]

[~~(K) "Applicable Law" means all controlling applicable federal, state, and local law.~~]

[~~(L) "Tenant at Sufferance" means a person who continues to possess the Property with no current right to possess it.~~]

[~~(M) "Forcible Detainer" means a lawsuit to remove a person from the Property.~~]

[~~(N) "Periodic Payment" means the regularly scheduled amount due for principal and interest under the Note plus any amount under this Contract.~~]

[~~(O) "Successor in Interest" means any party that has taken title to the Property.~~]

[~~(P) "Lien" means the Mechanic's and Materialman's Lien on the Property that results from the Contract and the Work performed. The Lien includes all existing and future improvements, easements, and rights in the Property.~~]

[~~(4) Promise to pay. One permissible change to the model language for the scheduled installment earnings method would be to allow partial prepayments of the principal during the term of the loan. This variation on the scheduled installment earnings method would allow periodic reductions of the principal balance by partial prepayments. This variation would allow reductions of the principal balance that were not originally scheduled. The model clause options for the borrower's promise to pay read:~~]

[~~(A) For contracts using the scheduled installment earnings method: "I promise to pay the Total of Payments to the order of you. (The "principal" or "cash advance" is $_________. This amount plus interest must be paid by __________ (maturity date).) I will make payments to~~

~~you at the address above or as you direct. I will make the payments on the dates and in the amounts shown in the Payment Schedule."~~]

[~~(B) For contracts using the true daily earnings method: "I promise to pay the cash advance plus the accrued interest to the order of you. (The "principal" or "cash advance" is $________. This amount plus interest must be paid by _________ (maturity date).) I will make payments to you at the address above or as you direct. I will make the payments on the dates and in the amounts shown in the Payment Schedule."~~]

[~~(C) The model payment schedule reads:~~]

[~~Attached Graphic~~]

[~~(5) Late charge.~~]

[~~(A) Generally. The general model late charge provision for contracts using the scheduled installment earnings method or the true daily earnings method reads: "If I don't pay all of a payment within 10 days after it is due, you can charge me a late charge. The late charge will be 5% of the scheduled payment."~~]

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[~~(6) After maturity interest. The model clause specifies the maximum interest rate allowed by law for after maturity interest for contracts using the scheduled installment earnings method. A licensee may always choose a lower rate. The model provision for after maturity interest reads: "If I don't pay all I owe when the final payment becomes due, I will pay interest on the amount that is still unpaid. That interest will be the higher of the rate of 18% per year or the maximum rate allowed by law. That interest will begin the day after the final payment becomes due."~~]

[~~(7) Prepayment clause. The model prepayment clause options read:~~]

[~~(A) For contracts using the scheduled installment earnings method: "I can make a whole payment early. Unless you agree otherwise in writing, I may not skip payments. If I make a payment early, my next payment will still be due as scheduled."~~]

[~~(B) For contracts using the true daily earnings method: "I can make any payment early. Unless you agree otherwise in writing, I may not skip payments. If I make a payment early, my next payment will still be due as scheduled."~~]

[~~(8) Finance charge earnings and refund method. The model provision options specifying the finance charge earnings and refund method read:~~]

[~~(A) For contracts using the scheduled installment earnings method - Section 342.301 rate loans, the model language reads:~~]

[~~Attached Graphic~~]

[~~(B) For contracts using the scheduled installment earnings method with prepayments option - Section 342.301 rate loans, the model language reads:~~]

[~~Attached Graphic~~]

[~~(C) For contracts using the true daily earnings method - Section 342.301 rate loans, the model language reads:~~]

[~~Attached Graphic~~]

[~~(9) Deferment. The model provision regarding deferment reads: "If I ask for more time to make any payment and you agree, I will pay more interest to extend the payment. The extra interest will be figured under the Finance Commission rules."~~]

[~~(10) Fee for dishonored check clause. The model clause specifies the maximum allowable dishonored check fee. A licensee may always choose a lesser amount. The model fee for dishonored check provision reads: "I agree to pay you a fee of up to $30 for a returned check. You may add the fee to the amount I owe or collect it separately."~~]

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[~~(12) Property insurance. The model provision regarding property insurance reads:~~]

[~~Attached Graphic~~]

[~~(13) Credit insurance. If single premium credit insurance is offered, a permissible change to the disclosure can be to offer a single charge for the entire term of the loan. The term for the single premium charge should be shown for the original term of the loan, unless otherwise specified. The licensee has the option of including language that reads: "The insurance will cancel on the date when the total past due premiums equal or exceed (insert number) times the first month's premium." The industry standard regarding the relationship between total past due premiums and the first month's premium in this equation appears to be four times. However, if a different time frame is more appropriate, that time frame may be used. The model credit insurance disclosure box reads:~~]

[~~Attached Graphic~~]

[~~(14) Mailing of notices to borrower. The duty to give notice is satisfied when it is mailed by first class mail. The model provision regarding the mailing of notices to the borrower reads: "You or I may mail or deliver any notice to the address above. You or I may change the notice address by giving written notice. Your duty to give me notice will be satisfied when you mail it."~~]

[~~(15) Statement of truthful information. The model provision specifying that the borrower gave truthful information reads: "I promise that all information I gave you is true."~~]

[~~(16) Due on sale clause, notice of intent to accelerate, and notice of acceleration. The model provision regarding the due on sale clause, notice of intent to accelerate, and notice of acceleration reads: "If all or any interest in the Property is sold or transferred without your prior written consent, you may require immediate payment in full of all that I owe under this Loan Agreement. You will not exercise this option if prohibited by law. If you exercise this option, you will give me notice that you are demanding payment of all that I owe. This notice will give me a period of not less than 21 days from the date of the notice within which I must pay all that I owe under this Loan Agreement. If I fail to pay all that I owe before the end of this period, you may use any remedy allowed by the Loan Agreement."~~]

[~~(17) No waiver of the lender's rights. The model provision expressing no waiver of the lender's rights reads: "If you don't enforce your rights every time, you can still enforce them later."~~]

[~~(18) Collection expenses. The model collection expenses clause reads: "If you require me to pay all that I owe at once, you will have the right to be paid back by me for all of your costs and expenses in enforcing this Loan Agreement to the extent not prohibited by Applicable Law. These expenses include, for example, reasonable attorneys' fees."~~]

[~~(19) Joint liability. The model provision providing for joint liability reads: "I understand that you may seek payment from only me without first looking to any other Borrower."~~]

[~~(20) Usury savings. The model usury savings clause reads: "I do not have to pay interest or other amounts that are more than Applicable Law allows."~~]

[~~(21) Savings clause. The model savings clause stating that if any part of the contract is invalid, the rest remains valid reads: "If any part of this Loan Agreement is declared invalid, the rest of the Loan Agreement remains valid. If any part of this Loan Agreement conflicts with any law, that law will control. The part of the Loan Agreement that conflicts with any law will be modified to comply with the law. The rest of the Loan Agreement remains valid."~~]

[~~(22) Prior agreements. For loan agreements exceeding $50,000, this notice must be boldfaced, capitalized, underlined, or otherwise set out from the surrounding written material to be conspicuous. The model clause stating that there are no prior agreements between the parties regarding the loan agreement reads: "This written Loan Agreement is the final agreement between you and me. It may not be changed by prior, current, or future oral agreements between you and me. There are no oral agreements between you and me relating to this Loan Agreement. Any change to this Loan Agreement must be in writing. Both you and I have to sign written agreements."~~]

[~~(23) Note secured by deed of trust. The model clause stating that the note is secured by a deed of trust reads: "In addition to this Note, the Deed of Trust protects the Note holder from losses that might result if I do not keep the promises that I make in this Note. The Deed of Trust describes how and under what conditions I may have to make immediate payment of all that I owe under this Note."~~]

[~~(24) Application of law. The model clause specifying that federal law and Texas law apply to the contract reads: "Federal law and Texas law apply to this Loan Agreement."~~]

[~~(25) OCCC notice. Under §90.105 of this title (relating to OCCC Notice), the following required notice must be given by licensees to let consumers know how to file complaints: "For questions or complaints about this loan, contact (insert name of lender) at (insert lender's phone number and, at lender's option, one or more of the following: mailing address, fax number, website, e-mail address). The lender is licensed and examined under Texas law by the Office of Consumer Credit Commissioner (OCCC), a state agency. If a complaint or question cannot be resolved by contacting the lender, consumers can contact the OCCC to file a complaint or ask a general credit-related question. OCCC address: 2601 N. Lamar Blvd., Austin, Texas 78705. Phone: (800) 538-1579. Fax: (512) 936-7610. Website: occc.texas.gov. E-mail: consumer.complaints@occc.texas.gov."~~]

[~~(26) Collateral. The model clause regarding the collateral reads: "The Property is subject to the Contract lien. I am responsible for all obligations in this Note."~~]

[~~(27) Preservation of claims and defenses. The notice regarding the preservation of claims and defenses reads: "NOTICE. ANY HOLDER OF THIS CONSUMER CREDIT CONTRACT IS SUBJECT TO ALL CLAIMS AND DEFENSES WHICH THE DEBTOR COULD ASSERT AGAINST THE SELLER OF GOODS OR SERVICES OBTAINED PURSUANT HERETO OR WITH THE PROCEEDS HEREOF. RECOVERY HEREUNDER BY THE DEBTOR SHALL NOT EXCEED AMOUNTS PAID BY THE DEBTOR HEREUNDER."~~]

[~~(28) Signature blocks. Documents for a home improvement loan on a homestead must be signed at the office of the lender, an attorney at law, or a title company. If this provision applies, the model clause, "This document must be signed at the office of the Lender, an attorney at law, or a title company" should appear above the signature of the borrower. The licensee may also provide additional signature lines for witness signatures. The model signature block reads:~~]

[~~Attached Graphic~~]

[~~(f) Model clauses for a Chapter 342, Subchapter G second lien home improvement loan deed of trust for use in a transaction that allows for withdrawals or multiple advances.~~]

[~~(1) Definitions. The model definitions section reads:~~]

[~~(A) "Borrower" is __________________. Borrower's address is ______________________.~~]

[~~(B) "Contractor" is ___________________. Contractor's address is ________________________.~~]

[~~(C) "Lender" is _____________________. Lender's address is ____________________________. Lender's NMLS ID is ___________. The loan originator's name is ________________________________. The loan originator's NMLS ID is __________.~~]

[~~(D) "Trustee" is _____________________. Trustee's address is ________________________.~~]

[~~(E) "I" or "me" means ___________________________________, the grantor under this Deed of Trust and the person who signed the Note ("Borrower").~~]

[~~(F) "Loan Agreement" means the Contract, Note, Security Document, Deed of Trust, any other related document, or any combination of those documents, under which Lender has made a loan to me.~~]

[~~(G) "Deed of Trust" means this document, which is dated _________, together with all riders to this document.~~]

[~~(H) "Note" means the Texas Home Improvement Mechanic's Lien Note signed by me and dated ________________ and includes all amounts secured by this Contract. The Note states that the amount I owe Lender is ___________________ dollars (U.S. $__________) plus interest.~~]

[~~(I) "Property" means the property at (list address of the Property), whose legal description is (list legal description of the Property).~~]

[~~(J) "Applicable Law" means all controlling applicable federal, state, and local law.~~]

[~~(K) "Community Association Dues, Fees, and Assessments" means all dues, fees, assessments and other charges that are imposed on me or the Property by a condominium association, homeowners association, or similar organization.~~]

[~~(L) "Electronic Funds Transfer" means any transfer of funds, other than a transaction originated by check, draft, or similar paper instrument, which is initiated through an electronic terminal, telephonic instrument, computer, or magnetic tape so as to order, instruct, or authorize a financial institution to debit or credit an account. The term includes point-of-sale transfers, automated teller machine transactions, transfers initiated by telephone, wire transfers, and automated clearinghouse transfers.~~]

[~~(M) "Escrow Items" means those items that are described in Section ____ of this Deed of Trust.~~]

[~~(N) "Miscellaneous Proceeds" means any compensation, settlement, award of damages, or proceeds paid by any third party (other than proceeds paid under my insurance) for: damage or destruction of the Property; condemnation or other taking of all or any part of the Property; conveyance instead of condemnation; or misrepresentations or omissions related to the value or condition of the Property.~~]

[~~(O) "Periodic Payment" means the regularly scheduled amount due for principal and interest under the Note plus any amounts under this Deed of Trust.~~]

[~~(P) "RESPA" means the Real Estate Settlement Procedures Act (12 U.S.C. §§2601-2617) and Regulation X (12 C.F.R. Part 1024), as amended, or any additional or successor legislation or regulation that governs the same subject matter. As used in this Deed of Trust, "RESPA" refers to all requirements and restrictions that are imposed in regard to a "federally related mortgage loan" even if the Loan Agreement does not qualify as a "federally related mortgage loan" under RESPA.~~]

[~~(Q) "Successor in Interest" means any party that has taken title to the Property.~~]

[~~(R) "Ground Rents" means amounts I owe if I rented the real property under the buildings covered by this Deed of Trust. Such an arrangement usually takes the form of a long-term "ground lease."~~]

[~~(S) "Contract" means the Texas Home Improvement Mechanic's Lien Contract for Improvement, Power of Sale, and Deed of Trust.~~]

[~~(T) "Lien" means the Mechanic's and Materialman's Lien on the Property that results from the Contract and the Work performed. The Lien includes all existing and future improvements, easements, and rights in the Property.~~]

[~~(2) Transfer of rights in property. The model provision regarding a transfer of rights in the property reads:~~]

[~~Attached Graphic~~]

[~~(3) Payment of late charges and prepayment. The model provision regarding the payment of late charges and prepayment of principal and interest reads:~~]

[~~Attached Graphic~~]

[~~(4) Funds for escrow items. The model provision regarding the funds for escrow items reads:~~]

[~~Attached Graphic~~]

[~~(5) Charges and liens. The model provision regarding charges and liens reads:~~]

[~~Attached Graphic~~]

[~~(6) Property insurance. The model provision regarding property insurance reads:~~]

[~~Attached Graphic~~]

[~~(7) Preservation, maintenance, protection, and inspection of property. The model provision regarding preservation, maintenance, protection, and inspection of the property reads: "I will not destroy, damage, or impair the Property, allow it to deteriorate, or commit waste. Whether or not I live in the Property, I will maintain it in order to prevent it from deteriorating or decreasing in value due to its condition. I will promptly repair the damage to the Property to avoid further deterioration or damage unless Lender and I agree in writing that it is economically unreasonable. I will be responsible for repairing or restoring the Property only if Lender releases the insurance or condemnation proceeds for the damage to or the taking of the Property. Lender may release proceeds for the repairs and restoration in a single payment or in a series of payments as the Work is completed. I still am obligated to complete repairs or restoration of the Property even if there are not enough proceeds to complete the Work. If this Deed of Trust secures a unit in a~~

~~condominium or planned unit development, I will perform all of my obligations under the declaration or covenants creating or governing the condominium or planned unit development, and any other relevant document. Lender or Lender's agent may inspect the Property. Lender may inspect the interior of the Property with reasonable cause. Lender will give me notice stating reasonable cause when or before the interior inspection occurs."~~]

[~~(9) Assignment of miscellaneous proceeds and forfeiture. The model provision regarding the assignment of miscellaneous proceeds and forfeiture reads:~~]

[~~Attached Graphic~~]

[~~(10) Forbearance not a waiver. The model provision specifying that the borrower is not released from liability if the lender modifies the payment schedule reads: "If Lender doesn't enforce Lender's rights every time, Lender can still enforce them later."~~]

[~~(11) Joint and several liability, deed of trust execution, successors obligated. The model provision regarding joint and several liability and specifying that the person who signs the contract grants ownership in the homestead and binds the person's successors and assigns reads:~~]

[~~Attached Graphic~~]

[~~(12) Usury savings clause. The model usury savings clause reads: "I do not have to pay interest or other amounts that are more than Applicable Law allows."~~]

[~~(13) Mailing of notices to borrower. The duty to give notice is satisfied when it is mailed by first class mail. The model provision regarding the mailing of notices to the borrower reads: "Lender or I may mail or deliver any notice to the address above. Lender or I may change the notice address by giving written notice. Lender's duty to give me notice will be satisfied when Lender mails it."~~]

[~~(14) Application of law. The model clause specifying that federal law and Texas law apply to the contract reads: "Federal law and Texas law apply to this Loan Agreement."~~]

[~~(15) Rules of construction. The model provision regarding rules of clause construction reads:~~]

[~~Attached Graphic~~]

[~~(16) Loan agreement copies. The model provision specifying that the lender will give the borrower a copy of all signed documents at the time the loan agreement is made reads: "At the time the Loan Agreement is made, Lender will give me copies of all documents I sign."~~]

[~~(17) Due on sale clause, notice of intent to accelerate, and notice of acceleration. The model provision regarding the due on sale clause, notice of intent to accelerate and notice of acceleration reads: "If all or any interest in the Property is sold or transferred without Lender's prior written consent, Lender may require immediate payment in full of all that I owe under this Loan Agreement. Lender will not exercise this option if Applicable Law prohibits. If Lender exercises this option, Lender will give me notice that Lender is demanding payment of all that I~~

~~owe. This notice will give me a period of not less than 21 days from the date of the notice within which I must pay all that I owe under this Loan Agreement. If I fail to pay all that I owe before the end of this period, Lender may use any remedy allowed by the Loan Agreement."~~]

[~~(18) Lender, contractor, and borrower's promises and agreements. The model provision regarding the lender, contractor, and borrower's promises and agreements reads: "LENDER, CONTRACTOR, AND I PROMISE AND AGREE:".~~]

[~~(19) Acceleration and remedies. The model provision regarding acceleration and remedies reads:~~]

[~~Attached Graphic~~]

[~~(20) Power of sale. The model provision regarding the power of sale reads:~~]

[~~Attached Graphic~~]

[~~(21) Borrower's right to reinstate after acceleration. The model provision regarding the borrower's right to reinstate after acceleration reads:~~]

[~~Attached Graphic~~]

[~~(22) Assignment of rents, appointment of receiver, and lender in possession. The model provision regarding the assignment of rents, appointment of receiver, and the lender in possession reads: "As additional security, I assign to you the rents of the Property, provided that you have the right, prior to acceleration or abandonment of the Property, to collect and retain the rents as they become due. Upon acceleration or abandonment, you, by agent or by court-appointed receiver, will be entitled to enter, take possession, manage the Property, and collect due and past due rents. All rents you or the court-appointed receiver collect will be applied first to payment of the cost of management of the Property and collection of rents, including receiver's fees, premiums on receiver's bonds, and reasonable attorneys' fees, and then to the sums secured by this Deed of Trust. You and the receiver will be liable to account only for rents received."~~]

[~~(23) Release. The model provision regarding the release of the lien securing the loan agreement reads: "Lender will cancel and return the Note to me and give me, in recordable form, a release of lien securing the Loan Agreement or a copy of any endorsement of the Note and assignment of the Lien to a Lender that is refinancing the Loan Agreement. I will pay only the cost of recording the release of lien."~~]

[~~(24) Trustees and trustee liability. The model provision regarding trustees and trustee liability reads:~~]

[~~Attached Graphic~~]

[~~(25) Assignment of contractor's lien, and commencement of work. The model provision regarding the assignment of the contractor's lien and specifying that no work was commenced before the contract was executed reads: "Contractor and I have entered into the Contract for improvements to be made to the Property. I will perform my duties under the Contract. Under the~~

~~Contract, I gave Contractor a Lien on the Property. Contractor permanently transfers the Lien and any other interest Contractor has in the Property to Lender. As additional security, Contractor also agrees that the lien created by this Deed of Trust has priority over the Lien. The purpose of the Note is to pay in whole or in part the improvements to be made to the Property by the Contractor. Contractor and I agree that the Lien is for Lender's sole benefit. Any other interest Contractor has in the Property will be merged with the Lien, and may be enforced by Lender according to the terms of this Deed of Trust. Contractor and I further agree that no Work was performed or material delivered before the Contract was executed."~~]

[~~(26) Subrogation. The model provision regarding subrogation reads: "If I ask, Lender will use proceeds from the Loan Agreement to pay off all valid outstanding liens against the Property. Lender will then own all rights, superior titles, liens, and interests owned or claimed by any owner or holder of an outstanding lien or debt. Lender owns these things whether the lien or debt is transferred to Lender or whether it is released by the holder upon payment."~~]

[~~(27) Partial invalidity. The model provision regarding what happens if the sums secured and other charges violate applicable law reads: "If any portion of the sums secured by this Deed of Trust cannot be lawfully secured, payments minus those sums will be applied first to the portions not secured. If any charge provided for in this Loan Agreement, separately or together with other charges that are considered part of this Loan Agreement, violates Applicable Law, the charge is reduced to the extent necessary to eliminate the violation. Lender will refund the amount of interest or other charges paid to Lender in excess of the amount permitted by Applicable Law. At Lender's option, the amount in excess will either be refunded directly to me or will be applied to reduce the principal of the debt."~~]

[~~(28) Renewal and extension. The model provision regarding the renewal and extension of the note secured by the deed of trust reads: "The Note secured by this Deed of Trust is renewed and extended, but not in extinguishment of the debt under the Contract identified in the paragraph entitled "Assignment of Contractor's Lien, Commencement of Work" and the Note."~~]

[~~(29) Sale of loan, change of loan servicer, notice of grievance, and lender's right to comply. The model provision regarding the sale of the loan, change of loan servicer, notice of grievance, and the lender's right to comply reads: "A full or partial interest in the Loan Agreement can be sold one or more times without prior notice to me. The sale may result in a change of the company servicing or handling the Loan Agreement. The company servicing or handling the Loan Agreement will collect my monthly payment and will comply with other servicing conditions required by the Loan Agreement or Applicable Law. In some cases, the company servicing or handling the Loan Agreement may change even if the Loan Agreement is not sold. If the company servicing or handling the Loan Agreement is changed, I will be given written notice of the change. The notice will state the name and address of the new company, the address to which my payments should be made, and any other information required by RESPA. Any notice of acceleration and opportunity to cure under the Loan Agreement will satisfy the notice and opportunity to address the alleged violation provisions of this Section. No agreement between Lender and me or any third party will limit Lender's ability to comply with Lender's duties under the Loan Agreement and Applicable Law. Lender and I are limiting all agreements so that all current or future interest or fees in connection with this Loan Agreement will not be greater than the highest amount allowed by Applicable Law. Lender and I intend to conform the Loan Agreement to the provisions of Applicable Law. If any part of the Loan Agreement is in conflict with the Applicable Law, then~~

~~that part will be corrected or removed. This correction will be automatic and will not require any amendment or new document. Lender's right to cure any violation will survive my paying off the Loan Agreement. My right to cure will override any conflicting provision of the Loan Agreement. Lender's right to comply as provided in this Section will survive the payoff of the Loan Agreement. The provisions of this Section will supersede any inconsistent provision of the Loan Agreement."~~]

[~~(30) Hazardous substances. The model provision regarding hazardous substances reads:~~]

[~~Attached Graphic~~]

[~~(31) Lender's rights and Borrower's responsibilities. The model provision regarding the lender's rights and the borrower's responsibilities reads:~~]

[~~Attached Graphic~~]

[~~(32) Default. The model provision regarding the borrower's default reads: "Any default of my agreements with Lender will be a default of this Deed of Trust."~~]

[~~(33) Request for notice of default and foreclosure under superior mortgages or deeds of trust. The model provision regarding the lender and borrower's request for notice of default and foreclosure under superior mortgages or deeds of trust reads:~~]

[~~Attached Graphic~~]

[~~(34) Signature blocks. The parties' signatures must be notarized. The licensee may use a different notary acknowledgment without having to submit the deed of trust to the agency as non-standard. Documents for a home improvement loan on a homestead must be signed at the office of the lender, an attorney at law, or a title company. If this provision applies, the model clause, "This document must be signed at the office of the Lender, an attorney at law, or a title company" should appear above the signature of the borrower. The model provision regarding signature blocks reads:~~]

[~~Attached Graphic~~]

[~~(35) Notice of confidentiality rights disclosure. The security document must incorporate a "Notice of Confidentiality Rights" disclosure. The disclosure or notice must:~~]

[~~(A) appear on the top of the first page of the security document;~~]

[~~(B) be in at least 12-point boldfaced type or 12-point uppercase lettering; and~~]

[~~(C) be substantially similar to the required notice or disclosure under Texas Property Code, §11.008(b). The model notice of confidentiality rights reads: "NOTICE OF CONFIDENTIALITY RIGHTS: I MAY REMOVE OR STRIKE MY SOCIAL SECURITY NUMBER OR MY DRIVER'S LICENSE NUMBER FROM THIS DOCUMENT BEFORE IT IS FILED IN THE PUBLIC RECORDS."~~]

[~~*§90.604. Model Contracts; Permissible Changes*~~]

[~~(a) A licensee may consider making the following types of changes to the second lien home improvement contracts plain language model clauses:~~]

[~~(1) For transactions involving a security interest in the consumer's principal dwelling, the Truth in Lending Act, 15 U.S.C. §1635(a), and Regulation Z, 12 C.F.R. §1026.23(b), require the creditor to deliver to the consumer a notice of the right to rescind the transaction. Model forms for the notice of the right to rescind are available at 12 C.F.R. Part 1026, Appendix H, Model Forms H-8 and H-9. The Truth in Lending Act right of rescission form for use in a transaction involving the consumer's principal dwelling reads:~~]

[~~Attached Graphic~~]

[~~(2) If the Texas constitutional homestead requirements apply to the transaction, the licensee must add a clause regarding notice of cancellation, place of singing the contract, and the five-day waiting period. The model clause regarding the notice of cancellation, place of signing the contract, and the five-day waiting period reads:~~]

[~~Attached Graphic~~]

[~~(3) Article 16, Section 50(a)(5) of the Texas Constitution provides that a contract for improvements on a homestead must expressly provide the owner with notice of the owner's right to cancel the contract. The model notice regarding the owner's right to cancel the contract reads: "NOTICE OF RIGHT TO CANCEL. THE OWNER MAY CANCEL THE CONTRACT WITHOUT PENALTY OR CHARGE WITHIN THREE DAYS AFTER THE EXECUTION OF THE CONTRACT BY ALL PARTIES, UNLESS THE WORK AND MATERIAL ARE NECESSARY TO COMPLETE IMMEDIATE REPAIRS TO CONDITIONS ON THE HOMESTEAD PROPERTY THAT MATERIALLY AFFECT THE HEALTH OR SAFETY OF THE OWNER OR PERSON RESIDING IN THE HOMESTEAD AND THE OWNER OF THE HOMESTEAD ACKNOWLEDGES SUCH IN WRITING."~~]

[~~(4) Texas Business and Commerce Code, Chapter 601 requires that notice must be given to the consumer regarding the consumer's right to cancel certain types of transactions. If this chapter is applicable, the notice that must be given by the licensee must appear in immediate proximity to the consumer's signature, or on the front page of the receipt if a contract is not used. The notice must be in boldfaced type and must be the equivalent of at least 10 points in the Times typeface. The statement to which the notice must be substantially similar reads: "YOU, THE BUYER, MAY CANCEL THIS TRANSACTION AT ANY TIME PRIOR TO MIDNIGHT OF THE THIRD BUSINESS DAY AFTER THE DATE OF THIS TRANSACTION. SEE THE ATTACHED NOTICE OF CANCELLATION FORM FOR AN EXPLANATION OF THIS RIGHT."~~]

[~~(5) Texas Business and Commerce Code, Chapter 601 also requires, if applicable, that a completed notice of cancellation form in duplicate be attached to the loan documents or receipt of the consumer transaction. This notice must be easily detachable from the contract or receipt, be in the same language as the contract or receipt, be in boldfaced type, and be the equivalent of at least 10 points in the Times typeface. The required notice of cancellation reads:~~]

[~~Attached Graphic~~]

[~~(6) The licensee may add information related to information set forth in the model clauses that is not otherwise prohibited by law.~~]

[~~(7) The licensee may substitute another term for "Lender" or "Borrower" that has the same meaning, or use pronouns such as "you," "we," and "us."~~]

[~~(8) The model clauses may be presented in any order, and may be combined or further segregated at the licensee's option.~~]

[~~(9) The licensee may insert descriptive headings or number provisions.~~]

[~~(10) The licensee may change the case of a word if otherwise permitted by the Texas Finance Code.~~]

[~~(11) The licensee may make other changes that do not affect the substance of the disclosures.~~]

[~~(12) A licensee may place its NMLS ID number, the individual residential mortgage loan originator's name, or the originator's NMLS ID on any portion of a document requiring this information, including the signature page. To the extent allowed by Regulation Z, 12 C.F.R. §1026.36(g), and the official commentary to that section, a licensee may omit:~~]

[~~(A) the licensee's NMLS ID number, if the licensee does not have an NMLS ID number and is not legally required to obtain one; and~~]

[~~(B) the individual residential mortgage loan originator's NMLS ID number, if the originator does not have an NMLS ID number and is not legally required to obtain one.~~]

[~~(13) A sample model contract that does not allow for withdrawals or multiple advances is presented in the following example.~~]

[~~Attached Graphic~~]

[~~(14) A sample model promissory note that does not allow for withdrawals or multiple advances is presented in the following example.~~]

[~~Attached Graphic~~]

[~~(15) A sample model contract that allows for withdrawals or multiple advances is presented in the following example.~~]

[~~Attached Graphic~~]

[~~(16) A sample model promissory note that allows for withdrawals or multiple advances is presented in the following example.~~]

[~~Attached Graphic~~]

[~~(17) A sample model deed of trust that allows for withdrawals or multiple advances is presented in the following example.~~]

[~~Attached Graphic~~]

[~~(b) A licensee has considerable flexibility to arrange the format of the model form if the revised format does not significantly adversely affect the substance, clarity, or meaningful sequence of the disclosures.~~]

**New Figure: 7 TAC §90.203(b)(2)** ***{with bracketed text to combine current figures 90.203(b)(2)(A) and 90.203(b)(2)(B)}***

"ITEMIZATION OF AMOUNT FINANCED

1. Amount financed: (2+3+4 [add the text "-5" if administrative fee is paid in cash]) $________________

2. Amount given to me directly $________________

3. Amount paid on my account (Net Balance - Prior Account) $________________

4. Amount paid to others on my behalf (A+B+C+D+E+F) $____________
   (You may be retaining a portion of this amount.)
   A. Cost of personal property insurance paid to insurance company $____________
   B. Cost of single-interest insurance paid to insurance company $____________
   C. Cost of optional credit insurance paid to insurance company or companies
      Life $____________
      Disability $_____________
      Involuntary Unemployment Insurance $____________
      Total C: $____________
   D. Non-Filing Insurance paid to insurance company $____________
   E. Official fees paid to government agencies $____________
   F. Payable to: __________________ $____________
      Payable to: __________________ $____________
      Payable to: __________________ $____________
      Total F: $____________

5. Prepaid Finance Charge (Administrative Fee) $____________."

# Amended Figure: 7 TAC §90.204(a)(8) *{revised to remove current strikethrough text}*

## CONSUMER CREDIT DISCLOSURE - PROMISSORY NOTE

**ACCOUNT / CONTRACT NO.** ________________________________________ **DATE OF NOTE** ________________________________________

**CREDITOR / LENDER** ________________________________________ **BORROWER** ________________________________________

ADDRESS ________________________________________ ADDRESS ________________________________________

________________________________________ ________________________________________

**"I" and "me" and similar words mean each person who signs as a Borrower. "You" and "your" and similar words mean the Lender.**

| **ANNUAL PERCENTAGE RATE** The cost of my credit as a yearly rate. | **FINANCE CHARGE** The dollar amount the credit will cost me. | Amount Financed The amount of credit provided to me or on my behalf. | Total of Payments The amount I will have paid after I have made all payments as scheduled. |
|---|---|---|---|
| % | $ | $ | $ |

My Payment Schedule will be:

| Number of Payments | Amount of Payments | When Payments Are Due |
|---|---|---|
| | | |
| | | |

Security: You will have a security interest in the following described collateral ________________________________________.

If checked, Borrower is giving a security interest in:

☐Motor Vehicle ☐ Property Purchased with the Money from this Loan ☐Personal Property ☐Other

Late Charge: If any part of a payment is unpaid for 10 days after it is due, I may be charged 5% of the amount of payment.

Prepayment: If I pay off early, I will not have to pay a penalty.

Additional Information: See the contract documents for any additional information about nonpayment, default, any required repayment in full before the scheduled date, and prepayment refunds and penalties.

I promise to pay the cash advance plus the accrued interest to the order of you, the Lender. I will make the payments at your address above. I will make the payments on the dates and in the amounts shown in the Payment Schedule. If I don't pay all of a payment within 10 days after it is due, you can charge me a late charge. The late charge will be 5% of the scheduled payment.

I can make any payment early. Unless you agree otherwise in writing, I may not skip payments. If I make a payment early, my next payment will still be due as scheduled. [Finance Charge Earnings and Refund Method clause]

If I ask for more time to make any payment and you agree, I will pay more interest to extend the payment. The extra interest will be figured under the Finance Commission rules. I agree to pay you a fee of up to $30 for a returned check. You can add the fee to the amount I owe or collect it separately.

OPTION A

**ITEMIZATION OF AMOUNT FINANCED**

1. **Amount Financed: (2+3+4)** $______________
2. **Amount given to me directly** $______________
3. **Amount paid on my account (Net Balance - Prior Account)** $______________
4. **Amount paid to others on my behalf (A + B + C +D + E + F)** $______________
   (You may be retaining a portion of this amount.)
   - A. **Cost of personal property insurance paid to insurance company** $______________
   - B. **Cost of single-interest insurance paid to insurance company** $______________
   - C. **Cost of optional credit insurance paid to insurance company or companies**
     - **Life** $______________
     - **Disability** $______________
     - **Involuntary Unemployment Insurance** $______________
     - **Total C:** $______________
   - D. **Non-Filing Insurance paid to insurance company** $______________
   - E. **Official fees paid to government agencies** $______________
   - F. **Payable to:**__________________________ $______________
     - **Payable to:**__________________________ $______________
     - **Payable to:**__________________________ $______________
     - **Total F:** $______________
5. **Prepaid Finance Charge (Administrative Fee)** $______________

I will be in default if:

I do not timely make a payment;
I break any promise I made in this agreement;
I allow a judgment to be entered against me or the collateral;
I sell, lease, or dispose of the collateral;
I use the collateral for an illegal purpose; or
you believe in good faith that I am not going to keep any of my promises.

If there is more than one Borrower, each Borrower agrees to keep all of the promises in the loan documents.

**PROPERTY INSURANCE: I must keep the collateral insured against damage or loss in the amount I owe. I may obtain property insurance from anyone I want or provide proof of insurance I already have. The insurer must be authorized to do business in Texas. If I buy personal property insurance through you, the rate is not fixed or approved by the Texas Department of Insurance.**

I agree to give you proof of property insurance. I must name you as the person to be paid under the policy in the event of damage or loss. If I obtain the insurance through you, I will pay the premium shown below. However, I have 5 days from the date of this loan to furnish like (equivalent) coverage from another source. If I fail to meet any of these requirements, you may obtain collateral protection insurance at my expense. If you obtain collateral protection insurance, you will mail notice to my last known address.

☐ Personal Property Insurance **$**______________ Term ________

☐ Single Interest Insurance (Vehicle) **$**______________ Term ________

Credit insurance is optional.

Credit life insurance, credit disability insurance and involuntary unemployment insurance are not required to obtain credit. They will not be provided unless I sign and agree to pay the extra cost.

☐ Credit Life, one borrower $_____________ ☐ Credit Life, both borrowers $______________ Term ____

☐ Credit Disability, one borrower $_____________ ☐ Credit Disability, both borrowers $______________ Term ____

☐ Credit Involuntary Unemployment Insurance, one borrower $______________ Term ____

☐ **If this box is marked, the premium for the insurance coverage(s) above is not fixed or approved by the Texas Insurance Commissioner.**

I want the insurance above.

Borrower's signature: ______________________________________________ Date: ___________________

Co-Borrower's signature: __________________________________________ Date: ___________________

I agree:

1. You can mail any notice to me at my last address in your records. Your duty to give me notice will be satisfied when you mail it.
2. I promise that all information I gave you is true.
3. If I am in default, you may require me to repay the entire unpaid principal balance, and any accrued interest at once. You don't have to give me notice that you are demanding or intend to demand immediate payment of all that I owe. If you don't enforce your rights every time, you can still enforce them later. If this debt is referred to an attorney for collection, I will pay any attorney fees set by the court plus court costs. (Optional: You may report information about my account to credit bureaus. Late payments, missed payments, or other defaults on my account may be reflected in my credit report.)
4. I understand that you may seek payment from only me without first looking to any other Borrower.
5. I don't have to pay interest or other amounts that are more than the law allows.
6. If any part of this contract is declared invalid, the rest of the contract remains valid.
7. **This written loan agreement is the final agreement between you and me and may not be changed by prior, current, or future oral agreements between you and me. There are no oral agreements between you and me relating to this loan agreement. Any change to this agreement must be in writing. Both you and I have to sign written agreements.**
8. If I am giving collateral for this loan, I will see the separate security agreement for more information and agreements.
9. Federal law and Texas law apply to this contract.

For questions or complaints about this loan, contact (insert name of lender) at (insert lender's phone number and, at lender's option, one or more of the following: mailing address, fax number, website, e-mail address). The lender is licensed and examined under Texas law by the Office of Consumer Credit Commissioner (OCCC), a state agency. If a complaint or question cannot be resolved by contacting the lender, consumers can contact the OCCC to file a complaint or ask a general credit-related question. OCCC address: 2601 N. Lamar Blvd., Austin, Texas 78705. Phone: (800) 538-1579. Fax: (512) 936-7610. Website: occc.texas.gov. E-mail: consumer.complaints@occc.texas.gov.

**I agree to the terms of this contract. I received a completed copy on ________________________.**

X_______________________________________
Borrower
X_______________________________________
Borrower

Recibí un resumen del contrato en español. ________________
*I received a summary of the contract in Spanish.*

**Amended Figure: 7 TAC §90.404(a)(9)** ***{with revised definition of "Electronic Funds Transfer"}***

NOTICE OF CONFIDENTIALITY RIGHTS: I MAY REMOVE OR STRIKE MY SOCIAL SECURITY NUMBER OR MY DRIVER'S LICENSE NUMBER FROM THIS DOCUMENT BEFORE IT IS FILED IN THE PUBLIC RECORDS.

# TEXAS HOME EQUITY SECURITY DOCUMENT (Second Lien)

This Security Document is not intended to finance Borrower's acquisition of the Property.

**THIS SECURITY DOCUMENT SECURES AN EXTENSION OF CREDIT AS DEFINED BY SECTION 50(a)(6), ARTICLE XVI OF THE TEXAS CONSTITUTION.**

**DEFINITIONS**

(A) "Loan Agreement" means the Note, Security Document, deed of trust, any other related document, or any combination of those documents, under which you have extended credit to me.

(B) "Security Document" means this document, which is dated ________, together with all Riders to this document.

(C) "I" or "me" means _________________________________________, the grantor under this Security Document and the person who signed the Note ("Borrower").

(D) "You" means __________________________________________, the Lender and any holder entitled to receive payments under the Note.
Your address is _________________________________________. Your NMLS ID is __________. You are the beneficiary under this Security Document.
The loan originator's name is _________________________________________. The loan originator's NMLS ID is __________.

(E) "Trustee" is _______________________________. Trustee's address is ____________________________________________.

(F) "Note" means the promissory Note signed by me and dated ______________. The Note states that the amount I owe you is _________________ dollars (U.S. $____) plus interest. I have promised to pay this debt in regular Periodic Payments and to pay the debt in full not later than ______________________________(maturity date).

(G) "My Homestead" means the property that is described below under the heading "Transfer of Rights in the Property."

(H) "Extension of Credit" means the debt evidenced by the Note, as defined by Section 50(a)(6), Article XVI of the Texas Constitution and all the documents executed in connection with the debt.

(I) "Riders" means all Riders to this Security Document that I execute. The Riders include *(check box as applicable):*

☐ Texas Home Equity Condominium Rider
☐ Texas Home Equity Planned Unit Development Rider
☐ Other: _______________________

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

(K) "Community Association Dues, Fees, and Assessments" means all dues, fees, assessments and other charges that are imposed on me or My Homestead by a condominium association, homeowners association, or similar organization.

(L) "Electronic Funds Transfer" has the meaning assigned to "electronic fund transfer" by the Electronic Fund Transfer Act (15 U.S.C. §1693a(7)) and Regulation E (12 C.F.R. §1005.3(b)), as amended.

(M) "Escrow Items" means those items that are described in Section ___ of this Security Document.

(N) "Miscellaneous Proceeds" means any compensation, settlement, award of damages, or proceeds paid by any third party (other than proceeds paid under my insurance) for: (i) damage or destruction of My Homestead; (ii) condemnation or other taking of all or any part of My Homestead; (iii) conveyance instead of condemnation; or (iv) misrepresentations or omissions related to the value or condition of My Homestead.

(O) "Periodic Payment" means the regularly scheduled amount due for (i) principal and interest under the Note plus (ii) any amounts under this Security Document.

(P) "RESPA" means the Real Estate Settlement Procedures Act (12 U.S.C. §§2601-2617) and Regulation X (12 C.F.R. Part 1024), as amended, or any additional or successor legislation or regulation that governs the same subject matter. As used in this Security Document, "RESPA" refers to all requirements and restrictions that are imposed in regard to a "federally related mortgage loan" even if the Loan Agreement does not qualify as a "federally related mortgage loan" under RESPA.

(Q) "Successor in Interest of me" means any party that has taken title to My Homestead, whether or not that party has assumed my obligations under the Loan Agreement.

(R) "Ground Rents" means amounts I owe if I rented the real property under the buildings covered by this Security Document. Such an arrangement usually takes the form of a long-term "ground lease."

**SECURED AGREEMENT**

To secure this loan, I give you a security interest in My Homestead including existing and future improvements, easements, fixtures, attachments, replacements and additions to the property, insurance refunds, and proceeds. This security interest is intended to be limited to the homestead property and not other collateral, as required under the Texas Constitution.

**TRANSFER OF RIGHTS IN THE PROPERTY**

I give to the Trustee, in trust, with power of sale, My Homestead located in __________ County at *(Street Address) (City)* *(State) (Zip Code)* and further described as:

(Legal Description)

The security interest in My Homestead includes existing and future improvements, easements, fixtures, attachments, replacements and additions to the property, insurance refunds, and proceeds. To the extent required by law, the security interest is limited to homestead property. No additional real or personal property secures the Loan Agreement.

This Security Document secures:

a. repayment of the Note, and all extensions and modifications of the Note; and
b. the completion of my promises and agreements under the Loan Agreement.

I warrant that I own My Homestead and have the right to grant you an interest in it. I also warrant that My Homestead is free of any lien, except liens that are publicly recorded. I promise that I will generally defend the title to My Homestead. I will be responsible for your losses that result from a conflicting ownership right in My Homestead. Any default under my agreements with you will be a default of this Security Document.

YOU AND I PROMISE:

**LATE CHARGES AND PREPAYMENT**

I will timely pay the principal, interest, and any other amounts due under the Loan Agreement. I will comply with the requirements of my escrow account under the Loan Agreement. I will make payments in U.S. currency. If any check is returned to you unpaid, you may select the form of future payments including:

a. cash;
b. money order;
c. certified check, bank check, treasurer's check or cashier's check drawn upon an institution whose deposits are federally insured; or
d. Electronic Funds Transfer.

I will make payments to the location as you direct. You will apply my payments against the loan only when they are received at the designated location. You may change the location for payments if you give me notice.

You may return any partial payment that does not bring the account current. You may accept any payment or partial payment that does not bring the account current without losing your rights to refuse full or partial payments in the future. I will not use any offset or claim against you to relieve me from my duty to make payments under the Loan Agreement.

**FUNDS FOR ESCROW ITEMS**

I will pay you an amount ("Funds") for:

a. taxes and assessments and other items that can take priority over your security interest in My Homestead under the Loan Agreement;
b. leasehold payments or Ground Rents on My Homestead, if any; and
c. premiums for any insurance you require under the Loan Agreement.

These items are called "Escrow Items." At any time during the term of the Loan Agreement, you may require me to pay Community Association Dues, Fees, and Assessments, if any, as an Escrow Item.

I will promptly give you all notices of amounts to be paid. I will pay you the Funds for Escrow Items unless you, at any time, waive my duty to pay you. Any escrow waiver must be in writing. If you waive my duty to pay you the Funds, I will pay, at your direction, the amounts due for waived Escrow Items. If you require, I will give you receipts showing timely payment. My duty to make Escrow Item payments and to provide receipts is an independent promise in the Loan Agreement.

If you grant me an escrow waiver, you may require me to pay the waived Escrow Items. If I fail to directly pay the waived Escrow Items, you may use any right given to you in the Loan Agreement. You may pay waived Escrow Items and require me to repay you. You may cancel the waiver for Escrow Items at any time by a notice that complies with the Loan Agreement. If you cancel the waiver, I will pay you all Funds that are then required under this Section.

At any time you may collect and hold Funds in an amount:

a. to permit you to apply the Funds at the time specified under RESPA; and
b. not to exceed the maximum amount you may require under RESPA.

You will estimate the amount of Funds due on the basis of current data and reasonable estimates of future expenses for Escrow Items or otherwise, according to Applicable Law. The Funds will be held in an institution whose deposits are federally insured (including you, if your deposits are insured) or in any Federal Home Loan Bank.

You will timely pay Escrow Items as required by RESPA. You will not charge me a fee for maintaining or handling my escrow account. You are not required to pay me any interest on the amounts in my escrow account. You will give me an annual accounting of the Funds as required by RESPA. If there is a surplus in my escrow account, you will follow RESPA. If there is a shortage or deficiency, as defined by RESPA, you will notify me, and I will pay you the amount necessary to make up the shortage or deficiency. I will repay the shortage or deficiency in no more than twelve monthly payments. You will promptly return to me any Funds after I have paid the Loan Agreement in full.

**CHARGES AND LIENS**

I will timely pay all taxes, assessments, charges, and fines relating to My Homestead that can take priority over this Security Document. I also will timely pay leasehold payments or Ground Rents on My Homestead, if any, and Community Association Dues, Fees, and Assessments, if any. If these items are Escrow Items, I will pay them as required by the Loan Agreement. I will promptly satisfy any lien that has priority over this Security Document unless I:

a. agree in writing to pay the amount secured by the lien in a manner acceptable to you and only so long as I comply with my agreement;
b. contest the lien in good faith by stopping the enforcement of the lien through legal proceedings (this contest must be satisfactory to you); or
c. obtain an agreement from the holder of the lien that is satisfactory to you.

If you determine that any part of My Homestead is subject to a lien that can take priority over this Security Document, you may give me a notice identifying the lien. I will satisfy the lien or take one or more of the actions described above in this Section within 10 days of the date of the notice.

**PROPERTY INSURANCE**

I will insure the current and future improvements to My Homestead against loss by fire, hazards included within the term "extended coverage," and any other hazards including earthquakes and floods, as you may require. I will keep this insurance in the amounts (including deductible levels) and for the periods that you require. You may change these insurance requirements during the term of the Loan Agreement. I have the right to choose an insurance carrier that is acceptable to you. You will exercise your right to disapprove reasonably.

I will pay any fee charged by the Federal Emergency Management Agency for the review of any flood zone determination. You may require me to pay either:

a. a one-time charge for flood zone determination, certification and tracking services; or
b. a one-time charge for flood zone determination and certification services; and subsequent charges each time re-mappings or similar changes occur that reasonably might affect the determination or certification.

If I do not keep any required insurance, you may obtain insurance at your option and at my expense. You are not required to purchase any type or amount of insurance. Any insurance you buy will always protect you, but may not protect me, my equity in My Homestead, my contents in My Homestead or protect me from certain hazards or liability. I understand that this insurance may cost significantly more than insurance I can purchase. I will owe you for the cost of any insurance that you buy under this Section. Interest will be charged on this amount at the interest rate used by the Note. The interest will be charged from the date you made the payment. You will give me notice of the amounts I owe under this Section.

You may disapprove any insurance policy or renewal. Any insurance policy must include a standard mortgage clause, and must name you as mortgagee or a loss payee. I will give you all insurance premium receipts and renewal notices, if you request. If I obtain any optional insurance to cover damage or destruction of My Homestead, I will name you as a loss payee. In the event of loss, I will give notice to you and the insurance company. You may file a claim if I do not file one promptly. You will apply insurance proceeds to repair or restore My Homestead unless your interest will be reduced or it will be economically unreasonable to perform the work. You may hold the insurance proceeds until you have had an opportunity to inspect the work and you consider the work to be acceptable. The insurance proceeds may be given in a single payment or multiple payments as the work is completed. You will not pay any interest on the insurance proceeds. If I hire a public adjuster or other third party, I am responsible for the fee. It will not be paid from the insurance proceeds. The insurance proceeds will be applied to the amount I owe if your interest will be reduced or if the work will be economically unreasonable to perform. You will pay me any excess insurance proceeds. You will apply insurance proceeds in the order provided by the Loan Agreement.

If I abandon My Homestead you may file, negotiate, and settle any insurance claim. If the insurance company offers to settle a claim and I do not respond within thirty days to a notice from you, then you may settle the claim. The 30-day period will begin when the notice is given. If I abandon My Homestead, fail to respond to the offer of settlement, or you foreclose on My Homestead, I assign to you:

a. my rights to any insurance proceeds in an amount not greater than what I owe; and
b. any of my other rights under insurance policies covering My Homestead.

You may apply the proceeds to repair or restore My Homestead or to the amount that I owe.

**HOMESTEAD**

I now occupy and use the property secured by this Security Document as my Texas homestead.

**PRESERVATION, MAINTENANCE, PROTECTION, AND INSPECTION OF THE PROPERTY**

I will not destroy, damage or impair My Homestead, allow it to deteriorate, or commit waste. Whether or not I live in My Homestead, I will maintain it in order to prevent it from deteriorating or decreasing in value due to its condition. I will promptly repair the damage to My Homestead to avoid further deterioration or damage unless you and I agree in writing that it is economically unreasonable. I will be responsible for repairing or restoring My Homestead only if you release the insurance or condemnation proceeds for the damage to or the taking of My Homestead. You may release proceeds for the repairs and restoration in a single payment or in a series of payments as the work is completed. I still am obligated to complete repairs or restoration of My Homestead even if there are not enough proceeds to complete the work. You or your agent may inspect My Homestead. You may inspect the interior of My Homestead with reasonable cause. You will give me notice stating reasonable cause when or before the interior inspection occurs.

**CONDITIONS CAUSING ACTUAL FRAUD**

I commit actual fraud under Section 50(a)(6)(C), Article XVI of the Texas Constitution if I or any person acting at my direction or with my knowledge or consent:

a. gives you materially false, misleading, or inaccurate information or statements;
b. fails to provide material information regarding the loan; or
c. commits any other action or inaction that is determined to be actual fraud.

Material representations include statements concerning my occupancy of My Homestead as a Texas homestead, the statements and promises contained in any document that I sign in connection with the Loan Agreement, and the execution of an acknowledgment of fair market value of My Homestead as described in the Loan Agreement. If I commit actual fraud I will be in default of the Loan Agreement and may be held personally liable.

**PROTECTION OF LENDER'S INTEREST IN THE PROPERTY AND RIGHTS UNDER THE SECURITY DOCUMENT**

You may do whatever is reasonable to protect your interest in My Homestead, including protecting or assessing the value of My Homestead, and securing or repairing My Homestead. You may do this when:

a. I fail to perform the promises and agreements contained in the Loan Agreement;
b. a legal proceeding might significantly affect your interest in My Homestead or rights under the Loan Agreement (such as a proceeding in bankruptcy, probate, for condemnation or forfeiture, for enforcement of a lien which may have priority over the Loan Agreement or to enforce laws or regulations); or
c. I abandon My Homestead.

In order to protect your interest in My Homestead, you may:

a. pay amounts that are secured by a lien on My Homestead which has or will have priority over the Loan Agreement;
b. appear in court; or
c. pay reasonable attorneys' fees.

You may enter My Homestead to secure it. To secure My Homestead, you may make repairs, change locks, replace or board up doors and windows, drain water from pipes, eliminate building or other code violations or dangerous conditions, and have utilities turned on or off. You have no duty to secure My Homestead. You are not liable for failing to take any action listed in this Section. Any amounts you pay under this Section will become my additional debt secured by the Loan Agreement. These amounts will earn interest at the rate specified in the Loan Agreement. The interest will begin on the date the amounts are paid. You will give me notice requesting payment of these amounts. If the Loan Agreement is on a leasehold, I will comply with the lease.

**ASSIGNMENT OF MISCELLANEOUS PROCEEDS AND FORFEITURE**

Any Miscellaneous Proceeds will be assigned and paid to you. If My Homestead is damaged, Miscellaneous Proceeds will be applied to restore or repair My Homestead. You will only do this if your interest in My Homestead will not be reduced and if the work will be economically reasonable to perform. You will have the right to hold Miscellaneous Proceeds until you inspect My Homestead to ensure the work has been completed to your satisfaction. You must make the inspection promptly. You may release proceeds for the work in a single payment or in multiple payments as the work is completed. You are not required to pay me any interest on the Miscellaneous Proceeds. The Miscellaneous Proceeds will be applied to the amount I owe if your interest in My Homestead will be reduced or the work will be economically unreasonable to perform. You will pay me any excess Miscellaneous Proceeds. You will apply Miscellaneous Proceeds in the order provided by the Loan Agreement.

You will apply all Miscellaneous Proceeds to the amount I owe in the event of a total taking, destruction, or loss in value of My Homestead. You will apply the Miscellaneous Proceeds even if all payments are current. You will give any excess Miscellaneous Proceeds to me.

A partial loss can include a taking, destruction, or loss in value. In the event of a partial loss, the Miscellaneous Proceeds will be applied in one of two ways:

a. If the fair market value of My Homestead immediately before the partial loss is less than the amount I owe immediately before the partial loss, then you will apply all Miscellaneous Proceeds to the amount I owe even if all payments are current.
b. If the fair market value of My Homestead immediately before the partial loss is equal to or greater than the amount I owe immediately before the partial loss, then you will apply Miscellaneous Proceeds to the amount I owe in the following manner:
   1. The amount of Miscellaneous Proceeds multiplied by the result of,
   2. The amount I owe immediately before the partial loss divided by the fair market value of My Homestead immediately before the partial loss.

You and I can agree otherwise in writing. You will give any excess Miscellaneous Proceeds to me.

If I abandon My Homestead you may apply Miscellaneous Proceeds either to restore or repair My Homestead, or to the amount I owe.

Damage to My Homestead caused by a third party may result in a civil proceeding. If you give me notice that the third party offers to settle a claim for damages to My Homestead and I fail to respond to you within thirty days, you may accept the offer and apply the Miscellaneous Proceeds either to restore or repair My Homestead or to the amount I owe. If the proceeding results in an award of damages, you will apply the Miscellaneous Proceeds according to this Section.

**FORBEARANCE NOT A WAIVER**

My successors and I will not be released from liability if you extend the time for payment or modify the payment schedule. If I pay late, you will not have to sue me or my successor to require timely future payments. You may refuse to (1) extend time for payment or (2) modify this Loan Agreement even if I request it. If you do not enforce your rights every time, you may enforce them later.

**JOINT AND SEVERAL LIABILITY, SECURITY DOCUMENT EXECUTION, SUCCESSORS OBLIGATED**

I understand that you may seek payment from me without first looking to any other person who signed the Note. Any person who signs this Security Document, but not the Note:

a. has no duty to pay the sums secured by this Security Document;
b. is not a surety or guarantor;
c. only grants the person's interest in My Homestead under the terms of this Security Document; and
d. grants the person's interest in My Homestead to comply with the requirements of Section 50(a)(6)(A), Article XVI of the Texas Constitution.

The lien against My Homestead is a voluntary lien and is a written agreement that shows the consent of each owner and each owner's spouse. You and I may extend, modify, or make any arrangements with respect to the terms of the Loan Agreement. Upon your approval, my successor who assumes my duties in writing will receive all of my rights and benefits under the Loan Agreement. I still will be responsible under the Loan Agreement unless you release me in writing. The Loan Agreement will extend to your assigns or successors.

**EXTENSION OF CREDIT CHARGES**

If an Applicable Law that sets a maximum charge is finally interpreted so that the interest, loan charges, or fees collected or to be collected with the Loan Agreement exceed the permitted amount, then you will:

a. reduce the amount to the amount permitted; or
b. refund the excessive amount to me.

You may choose to apply this refund to the amount I owe or pay it directly to me. If you apply the refund to the amount I owe, the refund will be treated as a partial prepayment.

If I default, you will be able to charge me reasonable fees paid to an attorney who is not your employee to protect your interest in My Homestead.

**DELIVERY OF NOTICES**

Under the Loan Agreement, you and I will give notices to each other in writing. Any notice under the Loan Agreement will be considered given to me when it is mailed by first class mail or when actually delivered to me at my address if given by another means. You will give notice to My Homestead address unless I provide you a different address. I will notify you promptly of any change of address. I will comply with any reasonable procedure for giving a change of address that you provide. There will only be one address for notice under the Loan Agreement. Notice to me will be considered notice to all persons who are obligated under the Loan Agreement unless Applicable Law requires a separate notice. I may give you notice by delivering or mailing it by first class mail to the address provided by you, unless you require a different procedure. You, however, will not receive notice under the Loan Agreement until you actually receive it. Legal requirements governing notices subject to the Loan Agreement will prevail over conditions in the Loan Agreement.

**GOVERNING LAW AND SEVERABILITY**

The Loan Agreement will be governed by Texas law and federal law. If any provision in the Loan Agreement conflicts with any legal requirement, all non-conflicting provisions will remain effective.

**RULES OF CONSTRUCTION**

As used in the Loan Agreement:

a. words in the singular will mean and include the plural and vice versa; and
b. the word "may" gives sole discretion without imposing any duty to take action.

**LOAN AGREEMENT COPIES**

At the time the Loan Agreement is made, you will give me copies of all documents I sign.

**TRANSFER OF INTEREST IN PROPERTY**

"Interest in My Homestead" means any legal or beneficial interest. This term includes those beneficial interests transferred in a bond for deed, contract for deed, installment sales contract or escrow agreement (the intent of which is the transfer of title by me at a future date to a purchaser). If any part of My Homestead is sold or transferred without your prior written permission, you may require immediate payment of all I owe. You will not exercise this option if disallowed by Applicable Law. If you accelerate, you will give me notice. The notice of acceleration will allow me at least 21 days from the date the notice is given to pay all I owe. If I fail to timely pay all I owe, you may pursue any remedy allowed by the Loan Agreement without further notice or demand.

**BORROWER'S RIGHT TO REINSTATE AFTER ACCELERATION**

I have the right to stop you from enforcing the Loan Agreement any time before the earliest of:

a. 5 days before sale of My Homestead under any power of sale included in the Loan Agreement;
b. the day required by Applicable Law for the termination of my right to reinstate; or
c. the entry of a judgment enforcing the Loan Agreement.

I can stop the enforcement of the Loan Agreement and reinstate the Loan Agreement if all the following conditions are met:

a. You are paid what I owe under the Loan Agreement as if no acceleration had occurred;
b. I cure any default of any promise or agreement;
c. You are paid all expenses allowed by Applicable Law, including reasonable attorneys' fees and other fees incurred for the purpose of protecting your interest in My Homestead and rights under the Loan Agreement;
d. I comply with any reasonable requirement to assure you that your interest in My Homestead will remain intact; and
e. I comply with any reasonable requirement to assure you that my ability to pay what I owe will remain intact.

You may require me to pay for the reinstatement in one or more of the following forms:

a. cash;
b. money order;
c. certified check, bank check, treasurer's check or cashier's check, provided any such check is drawn upon an institution whose deposits are federally insured; or
d. Electronic Funds Transfer.

Upon reinstatement, the Loan Agreement will remain effective as if no acceleration had occurred. However, this right to reinstate will not apply if I sell or transfer any interest in My Homestead without your permission.

**SALE OF NOTE, CHANGE OF LOAN SERVICER, NOTICE OF GRIEVANCE, LENDER'S RIGHT TO COMPLY**

A full or partial interest in the Loan Agreement can be sold one or more times without prior notice to me. The sale may result in a change of the company servicing or handling the Loan Agreement. The company servicing or handling the Loan Agreement will collect my monthly payment and will comply with other servicing conditions required by the Loan Agreement or Applicable Law. In some cases, the company servicing or handling the Loan Agreement may change even if the Loan Agreement is not sold. If the company servicing or handling the Loan Agreement is changed, I will be given written notice of the change. The notice will state the name and address of the new company, the address to which my payments should be made, and any other information required by RESPA. If a different company services the Loan Agreement, the servicing duties to me will be transferred.

You or I must give notice of any violation of the Loan Agreement to the other and the opportunity to address the alleged violation before starting or joining any legal action. You and I will give each other a reasonable amount of time to address the alleged violation. If the law provides a specified time period that must be given to address a violation, that time period will be a reasonable time for purposes of this paragraph. Any notice of acceleration and opportunity to cure under the Loan Agreement will satisfy the notice and opportunity to address the alleged violation provisions of this Section.

You and I intend to strictly follow the provisions of the Texas Constitution that relate to the Loan Agreement (Section 50(a)(6), Article XVI of the Texas Constitution).

No agreement between you and me or any third party will limit your ability to comply with your duties under the Loan Agreement and the Applicable Law. The Loan Agreement is being made on the condition that you have a reasonable amount of time to correct any violation of Applicable Law. I will notify you of any violation and give you a reasonable amount of time to comply before taking any action. I will cooperate with your reasonable effort to correct the Loan Agreement. You will forfeit all principal and interest as required by Applicable Law if you have:

a. received my notice;
b. had a reasonable amount of time to correct the violation; and
c. failed to correct the violation.

You and I are limiting all agreements so that all current or future interest or fees in connection with this Loan Agreement will not be greater than the highest amount allowed by Applicable Law.

You and I intend to conform the Loan Agreement to the provisions of the Texas Constitution and Texas law. If any promise, payment, duty or provision of the Loan Agreement is in conflict with the Applicable Law, then the promise, payment, duty or provision will be corrected or removed. This correction will be automatic and will not require any amendment or new document. Your right to correct any violation will survive my paying off the Loan Agreement. My right to correct will override any conflicting provision of the Loan Agreement.

Your right-to-comply as provided in this Section will survive the payoff of the Loan Agreement. The provisions of this Section will supersede any inconsistent provision of the Loan Agreement.

**HAZARDOUS SUBSTANCES**

Hazardous Substances:

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

I will not cause or permit the presence, use, disposal, storage, or release of any Hazardous Substances, or threaten to release any Hazardous Substances, on or in My Homestead. I will not do or allow anyone else to do, anything affecting My Homestead:

a. that is in violation of any Environmental Law;
b. that creates an Environmental Condition; or
c. that, due to the presence, use, or release of a Hazardous Substance, creates a condition that adversely affects the value of My Homestead.

The presence, use, or storage on My Homestead of small quantities of Hazardous Substances that are generally recognized to be appropriate to normal residential uses and for the maintenance of My Homestead are allowed. This includes Hazardous Substances found in consumer products.

I will promptly give you written notice of:

a. any investigation, claim, demand, lawsuit or other action by any governmental or regulatory agency or private party involving My Homestead and any Hazardous Substance or Environmental Law of which I have actual knowledge;
b. any Environmental Condition, including any spilling, leaking, discharge, release or threat of release of any Hazardous Substance; and
c. any condition caused by the presence, use or release of a Hazardous Substance which adversely affects the value of My Homestead.

If I learn that, or am notified by any governmental or regulatory authority, or any private party, that any removal or other remediation of any Hazardous Substance affecting My Homestead is necessary, I promptly will take all necessary remedial actions in accordance with Environmental Law. You will have no obligation for an Environmental Cleanup.

**ACCELERATION AND REMEDIES**

You will give me notice prior to acceleration if I am in default under the Loan Agreement. The notice will specify:

a. the default;
b. the action required to cure the default;
c. a date, not less than 21 days from the date you give me notice, to cure the default; and
d. that my failure to cure the default on or before the specified date will result in acceleration of all that I owe under the Loan Agreement and sale of My Homestead.

You will inform me of my right to reinstate after acceleration and my right to bring a court action to contest the alleged default or to assert any other defense to the acceleration and sale. If the default is not cured before the specified date, you have the option to require immediate payment in full of all I owe. If you are not paid all I owe, you may sell My Homestead or seek other remedies allowed by Applicable Law without further notice. You may collect your reasonable expenses incurred in seeking the remedies provided in this Section. These expenses may include court costs, attorneys' fees, and costs of title search.

This lien against My Homestead may be foreclosed upon only by a court order. You may, at your option, follow any rules of civil procedure for expedited foreclosure proceedings related to the foreclosure of liens under Section 50(a)(6), Article XVI of the Texas Constitution ("Rules"). The power of sale granted by the Loan Agreement will be exercised according to the Rules. I understand the power of sale is not a confession of judgment or a power of attorney to confess judgment or an appearance by me in a judicial proceeding.

**POWER OF SALE**

You have a fully enforceable lien on My Homestead. Your remedies for my default include an efficient means of foreclosure under the law. You and the Trustee have all powers to conduct a foreclosure except as limited by the Texas Supreme Court. If you choose to use the power of sale, you will give me notice of the time, place and terms of the sale by posting and filing notice at least 21 days before the sale as provided by law. You will give me notice by mail as required by law. The sale will be conducted at a public place. The sale will be held:

a. on the first Tuesday of a month;
b. at a time stated in the notice or no later than 3 hours after the time; and
c. between 10:00 a.m. and 4:00 p.m.

I allow the Trustee to sell My Homestead to the highest bidder for cash in one or more parcels and in any order the Trustee determines. You may purchase My Homestead at any sale. The Rules will prevail in a conflict between the procedures and the Rules. If a conflict arises, the conflicting provision will be corrected in order to comply.

Trustee will give a Trustee's deed to the foreclosure sale purchaser. A Trustee's deed will convey:

a. good title to My Homestead that cannot be defeated; and
b. title with promises of general warranty from me.

I will defend the purchaser's title to My Homestead against all claims and demands. The description of facts contained in the Trustee's deed will be sufficient to legally prove the truth of the statements made in the deed. Trustee will apply the proceeds of the sale in the following order:

a. to all expenses of the sale, including court costs and reasonable Trustee's and attorneys' fees;
b. what I owe; and
c. any excess to the person or persons legally entitled to it.

If My Homestead is sold through a foreclosure sale governed by this Section, I or any person in possession of My Homestead through me, will give up possession of My Homestead without delay. A person who does not give up possession is a holdover and may be removed by a court order.

**RELEASE**

You will cancel and return the Note to me and give me, in recordable form, a release of lien securing the Loan Agreement or a copy of any endorsement of the Note and assignment of the lien to a lender that is refinancing the Loan Agreement. I will pay only the cost of recording the release of lien. My acceptance of the release or endorsement and assignment will end all of your duties under Section 50(a)(6), Article XVI of the Texas Constitution.

**NON-RECOURSE LIABILITY**

You are entitled to all rights, superior title, liens and equities owned or claimed by any grantor or holder of any liens and debts due before the signing of the Loan Agreement. You are entitled to these rights whether you acquire the liens or debts by assignment or the holder releases them upon payment.

Each person who signs the Security Document is responsible for each promise and duty in the Security Document, subject to limitation of personal liability described below. The Texas Constitution provides that the Loan Agreement is given without personal liability against each owner of My Homestead and the spouse of each owner. Personal liability may be obtained if the Loan Agreement was obtained by actual fraud. This means that, unless actual fraud is found by a court, you are only able to enforce your rights under the Loan Agreement against My Homestead. You are not able to seek personal liability against the owner of My Homestead or the spouse of an owner. If the Loan Agreement is obtained by actual fraud, then I will be personally liable for the payment of any amounts due under the Loan Agreement. This means that a personal judgment could be obtained against me for a deficiency as a result of a foreclosure sale of My Homestead. A personal judgment would subject my other assets for the payment of the debt.

Unless prohibited by the Texas Constitution, this Section will not:

a. impair in any way the Loan Agreement or your right to collect all that I owe under the Loan Agreement;
b. affect your right to any promise or condition of the Loan Agreement.

**PROCEEDS**

I am not required to apply the proceeds of the Loan Agreement to repay another debt except a debt secured by My Homestead or a debt to another lender.

**NO ASSIGNMENT OF WAGES**

I have not assigned wages as security for the Loan Agreement.

**ACKNOWLEDGMENT OF FAIR MARKET VALUE**

You and I agreed in writing to the fair market value of My Homestead on the date of the Loan Agreement.

**TRUSTEES AND TRUSTEE LIABILITY**

One or more Trustees acting alone or together may exercise or perform all rights, remedies and duties of the Trustee under the Loan Agreement. You may remove or change any Trustee (e.g., add one or more Trustees or appoint a successor Trustee to any Trustee). This removal or change of Trustee must be in writing and may be:

a. at your option;
b. with or without cause; and
c. by power of attorney or otherwise.

The substitute, additional or successor Trustee will receive, without any further act, the title, rights, remedies, powers and duties under the Loan Agreement and Applicable Law.

Trustee may rely, without liability, upon any notice, request, consent, demand, statement or other document reasonably believed by Trustee to be valid. Trustee will not be liable for any act or omission unless the act or omission is willful.

**WAIVER OF ADDITIONAL COLLATERAL**

I agree that you waive all terms in any of your current or future loan documentation that:

a. creates a default of the Loan Agreement by a default of another obligation that is not secured by My Homestead;

b. provides for collateral other than My Homestead (including cross collateralization or dragnet provisions);
c. creates personal liability for me for the Loan Agreement (unless this loan was obtained by actual fraud); or
d. creates a personal guaranty.

**DEFAULT**

Any default of my agreements with you will be a default of this Security Document.

BY SIGNING BELOW, I accept and agree to the terms and promises contained in the Loan Agreement and in any Rider I sign which is recorded with it. (DO NOT SIGN IF THERE ARE BLANKS LEFT TO BE COMPLETED IN THIS DOCUMENT. THIS DOCUMENT MUST BE SIGNED AT THE OFFICE OF THE LENDER, AN ATTORNEY AT LAW OR A TITLE COMPANY. I MUST RECEIVE A COPY OF ANY DOCUMENT I SIGN.)

I MAY, WITHIN 3 DAYS AFTER CLOSING, RESCIND THE LOAN AGREEMENT WITHOUT PENALTY OR CHARGE.

______________________________ -Borrower

Printed Name:___________________
(Please Complete)

___________________________(seal)

___________________________(seal)
-Borrower

______________________________

___________________________(seal)
-Borrower

___________________________(seal)
-Borrower

(Acknowledgment on following page)