Date: July 6, 2018

Dear: Average Joe

As the President of CBC Mortgage Agency, I want to congratulate you on the purchase of your new home, and provide you with some important details and choices as it relates to your financing. Our government agency is working with your lender, Test Seller, to provide the down payment funds in conjunction with the FHA 1st mortgage loan you are receiving. The down payment funds we provide are typically in the form of a second mortgage, which may or may not require repayment.

Our Mission - As a federally chartered, public purpose, government agency, we work to increase affordable and sustainable homeownership opportunities for credit worthy individuals who lack down payment funds.

Given your home ownership and financial security goals, it is critical that you fully understand your mortgage terms. You have chosen to obtain home financing by using a mortgage professional. That was a good decision. Undoubtedly in the course of the mortgage application process they have explained to you the various alternative types of mortgages and the features, advantages, and trade-offs of each.

In addition, you have received a number of documents which disclose the key terms of the first mortgage type you have selected. You will also be provided with the promissory note which obligates you to repay the sum you are borrowing. That note describes in detail how your mortgage will work. I encourage you to read these documents carefully and to consult with your mortgage professional if you should have any questions.

The following are a few important points for you to consider as you go through the home buying process.

DOWN PAYMENT AND INTEREST RATE - OPTIONS AND DECISIONS

The terms of your 1st mortgage can be impacted if you don't have your own down payment. It is possible that the interest rate on your 1st mortgage is higher than if you provided your own down payment. Ask your licensed mortgage loan professional what the interest rate on the 1st mortgage would be were you to provide your own down payment. You will then be presented with three options with respect to obtaining a loan through our Agency as follows:

Option 1 - Save up your own down payment, and receive no down payment assistance and the associated 2nd mortgage.

Advantages:

- Typically, a lower interest rate on the 1st mortgage
- Potentially easier processing and underwriting

Disadvantages (potential):

- While saving up the down payment, the home you're looking to buy is sold.
- While saving up the down payment, home prices in general go up, resulting in less future equity and wealth creation for your household.
- You are left with diminished savings in your bank account, causing financial difficulty or consumer borrowing to purchase furniture, yard equipment, etc. You may lack the funds to cover an unforeseen event, i.e. unforeseen repairs or medical emergency.

Option 2 - Buy now and obtain your down payment through the Chenoa Fund DPA Edge Program, provided by CBC Mortgage Agency.

Advantages:

- Potentially enjoy future increased household net worth by buying now if home prices increase over time.
- Ability to purchase available properties now, without risking that inventory will be sold months down the road when you're ready to buy.
- Potentially not be required to pay back the down payment you receive from the Chenoa Fund. (Certain restrictions apply: 36 months of consecutive on-time 1st mortgage payments qualify for us to forgive the balance of the 2nd mortgage).
- Preserve any funds you currently have in your bank account and use them to cover emergencies, furniture, yard equipment, etc. Oftentimes, new homeowners purchase a home, and given they now lack cash, they finance needed household items on credit, at terms much worse than they could have had under a second mortgage through CBC Mortgage Agency.

Disadvantages:

- Typically, higher interest rate on the 1st mortgage, causing you to lock in a higher payment for potentially years. ***Over time, the amount of additional interest you pay on the first mortgage could exceed the amount of the down payment assistance.***
- CBC Mortgage Agency will typically not subordinate the 2nd mortgage in the first 3 years of the loan. This means that if interest rates drop 6 months after you purchase the home and you desire to refinance, you may be required to repay the down payment you received, or be prevented from refinancing altogether.

Option 3 - Buy now and obtain your down payment through Chenoa Fund Rate Advantage Program, provided by CBC Mortgage Agency.
Advantages:

- Competitive market interest rates on the 1st mortgage
- Potentially enjoy future increased household net worth by buying now if home prices increase over time.
- Ability to purchase available properties now, without risking that inventory will be sold months down the road when you're ready to buy.
- Preserve any funds you currently have in your bank account and use them to cover emergencies, furniture, yard equipment, etc. Oftentimes, new homeowners purchase a home, and given they now lack cash, they finance needed household items on credit, at terms much worse than they could have had under a second mortgage through CBC Mortgage Agency.

Disadvantages:

- Instead of receiving a forgivable 2nd mortgage for your down payment, you will be required to repay the down payment assistance funds over a 10 year period at a fixed rate.

CLOSING PROCESS

If your loan is approved, you will later go to closing to sign documents to own the home. This will entail signing many agreements which obligate you to repay the money you have received. In addition, you will sign a set of 2nd mortgage documents for the down payment assistance funds. There will be a lien attached to the title of your property which will not be removed until either 36 months of on-time 1st mortgage payments have been made, OR the loan is paid off. **If the second mortgage needs to be paid off over time, you will have two payments, one for the first mortgage and one for the second mortgage.**

POST CLOSING - OWNING YOUR OWN HOME

We strongly believe in the merits of homeownership, since homeownership has been demonstrated to improve health, educational performance, stability of communities, household wealth creation, and more stable retirement years. You will likely come to see and enjoy these benefits in your own life.

Since we are interested in not only helping you buy a home, but also keeping you in the home, let me explain a few suggestions for sustainable home ownership, some of which may seem obvious:

1. **Pay your 1st mortgage on time** - So long as you are not more than 30 days late, your second mortgage will be forgiven after 36 months. This is a huge benefit and results in immediate equity gain.
2. **Hardship** - Should you face a situation which prevents you from making a mortgage payment on time, it is critical you discuss this with your lender before the problem grows. Often times a struggling homeowner will "hide" and not speak with the mortgage company, hoping the problem will fix itself. This is the worst thing you can do, since the hole created could be too big to climb out of.

The Sale Of Your First Mortgage: It is likely that your 1st mortgage will be sold from time to time. The terms of your loan will not change regardless of who owns it. Do not be alarmed by this, it is normal. You will be notified in writing by both the company selling the mortgage, as well as the company buying the mortgage. Even though we may sell your 1st mortgage loan, we are still highly motivated in seeing you succeed as a new homeowner.

To that end, we will take proactive steps to stay in touch with you over the next year. Look at us as your friend and advisor. We are anxious to see you successfully meet the 36-month forgiveness schedule, and will reach out to you via letter, email, and phone from time to time. We call this our *Borrower Success Program*. We want to be a resource to you. Should you have difficulty with your new lender, it may be possible for us to help.

Our *Borrower Success Program* is implemented through our partnership with HLP and other HUD approved, non-profit counselors. CBC Mortgage Agency works hand-in-hand with HLP to ensure you have all the tools and resources you need to be a successful, long-term homeowner. Over the next twelve months, HLP and CBC Mortgage Agency (sometimes referred to as CBCMA) will reach out to you via letter, email and telephone to check in, offer assistance as needed, or to simply congratulate you on your success. The *Borrower Success Program* is offered free of charge and we hope you will take advantage of this valuable service.

We wish you success in this highly rewarding endeavor - the dream of homeownership. We are here as your friends and advocates. Please don't hesitate to use us as a resource in the months and years ahead.

Sincerely,

Richard Ferguson
President
CBC Mortgage Agency

I/We acknowledge having received and read this Letter From the President:

_____
Average Joe

SigniaDocs, Inc. 2017

DISCLOSURE OF SECONDARY FINANCING

I (We) acknowledge that I (we) have applied for **TWO loans** in order to complete the purchase of a home. BOTH of these loans will be recorded against the title records of my (our) property. I (We) may be required to make regular monthly payments on **BOTH loans**. If monthly payments are required on the second mortgage, these payments WILL be made to a different lender than the first mortgage.

The first mortgage will be issued by: Test Seller

The second mortgage will be issued by: CBC MORTGAGE AGENCY

The amount of the second mortgage will be $8,750.00.

The second mortgage interest rate will be 0.000%.

☑ The second mortgage for down payment may be forgiven after I make 36 consecutive on-time payments (3 years) on my first mortgage.

☐ I (We) will be required to make regular monthly payments on the second mortgage estimated in the amount of _____ for a total of _____ years.

I (We) understand the above and agree to the terms disclosed.

_____ Date: _____

Average Joe

ACKNOWLEDGMENT
OF PRIOR RECEIPT
OF "FACTA" DISCLOSURES AND NOTICE

Date: July 6, 2018

Loan Number: 26111563

Borrower(s): Average Joe

Property Address: 123 GENERIC DRIVE, SPRINGTOWN, TEXAS 76082

Lender: Test Seller

Lender NMLS: 456123

The undersigned Borrower(s) have been advised that the Fair and Accurate Credit Transactions Act of 2003 ("FACTA") under subsection (g) requires as soon as reasonably practicable the disclosure of credit scores by a person who makes or arranges consumer loans (and who uses a consumer credit score) secured by 1 to 4 units of residential real property and requires such persons to give to the borrower a Notice to Home Loan Applicants.

The undersigned Borrower(s) hereby acknowledge that prior to closing of this loan, I/we have received a copy of our credit report in connection with this loan which included our credit scores and the name, address, and telephone number of each consumer reporting agency providing a credit score that was used, as well as the Notice to Home Loan Applicants.

_____ Date: _____

Average Joe

Test Seller
1234 Test Seller Address
Springtown, TX 76082

Save this Loan Estimate to compare with your Closing Disclosure.

Loan Estimate

DATE ISSUED 7/6/2018
APPLICANTS Average Joe
456 Generic Drive
Springtown, TX 76082
PROPERTY 123 Generic Drive,
Springtown, TX 76082
SALE PRICE $250,000

LOAN TERM 30 years
PURPOSE Purchase
PRODUCT Fixed Rate
LOAN TYPE ☑ Conventional ☐ FHA
☐ VA ☐ ____
LOAN ID# 26111563
RATE LOCK ☐ No ☑ YES, until 10/4/2018 4:00pm MST

Before closing, your interest rate, points, and lender credits can change unless you lock the interest rate. All other estimated closing costs expire on **10/4/2018** 4:00pm MST

Loan Terms		**Can this amount increase after closing?**
Loan Amount	$8,750	**NO**
Interest Rate	0%	**NO**
Monthly Principal & Interest *See Projected Payments below for your Estimated Total Monthly Payment*	$0.00	**NO**
		Does the loan have these features?
Prepayment Penalty		**NO**
Balloon Payment		**YES** • You will have to pay **$8,750** at the end of year 30

Projected Payments

Payment Calculation	**Years 1 - 30**	**Years 30**
Principal & Interest	$0.00	$8,750.00
Mortgage Insurance	+ 0	+ 0
Estimated Escrow *Amount can increase over time*	+ –	+ –
Estimated Total Monthly Payment	$0.00	$8,750.00

		This estimate includes	**In escrow?**
Estimated Taxes, Insurance & Assessments *Amount can increase over time*	$0 a month	☐ Property Taxes ☐ Homeowner's Insurance ☐ Other:	

See Section G on page 2 for escrowed property costs. You must pay for other property costs separately.

Costs at Closing

Estimated Closing Costs	**$0**	Includes $0 in Loan Costs + $0 in Other Costs - $0 in Lender Credits. *See page 2 for details.*
Estimated Cash to Close	**$0**	Includes Closing Costs. *See Calculating Cash to Close on page 2 for details.*

Visit **www.consumerfinance.gov/mortgage-estimate** for general information and tools.

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Closing Cost Details

Loan Costs

A. Origination Charges	**$0**
B. Services You Cannot Shop For	**$0**
C. Services You Can Shop For	**$0**
D. TOTAL LOAN COSTS (A+B+C)	**$0**

Other Costs

E. Taxes and Other Government Fees	**$0**
Recording Fees and Other Taxes	
Transfer Taxes	
F. Prepaids	**$0**
Homeowner's Insurance Premium (months)	
Mortgage Insurance Premium (months)	
Prepaid Interest ($0.00 per day for 3 days @ 0.000%)	$0
Property Taxes (months)	
G. Initial Escrow Payment at Closing	**$0**
Homeowner's Insurance per month for mo.	
Mortgage Insurance per month for mo.	
Property Taxes per month for mo.	
H. Other	**$0**
I. TOTAL OTHER COSTS (E+F+G+H)	**$0**
J. TOTAL CLOSING COSTS	**$0**
D + I	$0
Lender Credits	-$0

Calculating Cash to Close

Total Closing Costs (J)	$0
Closing Costs Financed (Paid from your Loan Amount)	$0
Down Payment/Funds from Borrower	$0
Deposit	$0
Funds for Borrower	$0
Seller Credits	$0
Adjustments and Other Credits	$0
Estimated Cash to Close	$0

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Additional Information About This Loan

LENDER	Test Seller	**MORTGAGE BROKER**	
NMLS/ TX LICENSE ID	456123	**NMLS/ TX LICENSE ID**	
LOAN OFFICER	Johnathan Everyman	**LOAN OFFICER**	
NMLS/ TX LICENSE ID	TEST9999	**NMLS/ TX LICENSE ID**	
EMAIL	locks@testseller.com	**EMAIL**	
PHONE	2145558888	**PHONE**	

Comparisons

Use these measures to compare this loan with other loans.

In 5 Years	**$0**	Total you will have paid in principal, interest, mortgage insurance, and loan costs.
	$0	Principal you will have paid off.
Annual Percentage Rate (APR)	**0.000%**	Your costs over the loan term expressed as a rate. This is not your interest rate.
Total Interest Percentage (TIP)	**0%**	The total amount of interest that you will pay over the loan term as a percentage of your loan amount.

Other Considerations

Appraisal

We may order an appraisal to determine the property's value and charge you for this appraisal. We will promptly give you a copy of any appraisal, even if your loan does not close. You can pay for an additional appraisal for your own use at your own cost.

Assumption

If you sell or transfer this property to another person, we

- ☐ will allow, under certain conditions, this person to assume this loan on the original terms.
- ☑ will not allow assumption of this loan on the original terms.

Homeowner's Insurance

This loan requires homeowner's insurance on the property, which you may obtain from a company of your choice that we find acceptable.

Late Payment

If your payment is more than *N/A* days late, we will charge a late fee of N/A*% of the monthly principal and interest payment.*

Refinance

Refinancing this loan will depend on your future financial situation, the property value, and market conditions. You may not be able to refinance this loan.

Servicing

We intend

- ☐ to service your loan. If so, you will make your payments to us.
- ☑ to transfer servicing of your loan.

Confirm Receipt

By signing, you are only confirming that you have received this form. You do not have to accept this loan because you have signed or received this form.

Average Joe Date

SigniaDocs, Inc. 2016

Additional Details for Services You Can Shop For

To get you started with shopping, this list identifies some providers for the services you can shop for (see Section C on page 2 of your Loan Estimate).

Service Provider List	You can select these providers or shop for your own providers.		
Service	**Estimate**	**Provider We Identified**	**Contact Information**

Lender does not represent, warrant or endorse the above named Provider(s) in any way and Lender and its successors and assigns expressly disclaim any liability to any person or entity with respect to the selection of any Provider listed above.

APPLICANTS: Average Joe	DATE ISSUED: 7/6/2018	LOAN ID #: 26111563

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Date: July 6, 2018
Loan Number: 26111563
Borrower: Joe

Notice of Intent to Proceed With Loan Application

(12 C.F.R. Part 1026.19(e)(2)(i)(A))

Loan Estimate Date Issued : 7/6/2018

Applicant Borrower(s): Average Joe

Creditor: Test Seller
Creditor Organization Identifier (NMLS): 456123

Loan Originator: Johnathan Everyman
Loan Originator Identifier (NMLS) : TEST9999

Property Address: 123 GENERIC DRIVE, SPRINGTOWN, TEXAS 76082

You have applied for a mortgage loan and acknowledge having received a Loan Estimate (LE) issued and dated the same date as this disclosure. You have reviewed your Loan Estimate (LE) and further acknowledge that the only fee or charge that has been required up until this date was a fee for obtaining a credit report.

NOTICE: You are NOT obligated to accept this loan simply because you have signed this document nor is this document a mortgage loan commitment or approval.

NOTE: DO NOT SIGN THIS DOCUMENT UNLESS YOU WISH TO PROCEED WITH THE LOAN APPLICATION COVERED BY THIS LOAN ESTIMATE (LE). IF YOU DO WISH TO PROCEED, PLEASE RETURN A COPY OF THIS NOTICE OF INTENT TO PROCEED WITH LOAN APPLICATION (SIGNED AND DATED) TO THE LOAN ORIGINATOR.

Each of the undersigned applicant borrower(s) hereby expresses his/her Intent to Proceed with the loan application covered by the Loan Estimate (LE).

_____ Date: _____

Average Joe

Date: July 6, 2018
Loan Number: 26111563
Borrower: Joe

Texas
Mortgage Banker Disclosure

Borrower(s): Average Joe

Property Address: 123 GENERIC DRIVE, SPRINGTOWN, TEXAS 76082

Residential Mortgage Loan Originator: Johnathan Everyman

NMLS ID: TEST9999

Pursuant to the requirements of Section 157.0021 of the Mortgage Banker Registration and Residential Mortgage Loan Originator License Act, Chapter 157, Texas Finance Code, you are hereby notified of the following:

CONSUMERS WISHING TO FILE A COMPLAINT AGAINST A MORTGAGE BANKER OR A LICENSED MORTGAGE BANKER RESIDENTIAL MORTGAGE LOAN ORIGINATOR SHOULD COMPLETE AND SEND A COMPLAINT FORM TO THE TEXAS DEPARTMENT OF SAVINGS AND MORTGAGE LENDING, 2601 NORTH LAMAR, SUITE 201, AUSTIN, TEXAS 78705. COMPLAINT FORMS AND INSTRUCTIONS MAY BE OBTAINED FROM THE DEPARTMENT'S WEBSITE AT WWW.SML.TEXAS.GOV. A TOLL-FREE CONSUMER HOTLINE IS AVAILABLE AT 1-877-276-5550.

THE DEPARTMENT MAINTAINS A RECOVERY FUND TO MAKE PAYMENTS OF CERTAIN ACTUAL OUT OF POCKET DAMAGES SUSTAINED BY BORROWERS CAUSED BY ACTS OF LICENSED MORTGAGE BANKER RESIDENTIAL MORTGAGE LOAN ORIGINATORS. A WRITTEN APPLICATION FOR REIMBURSEMENT FROM THE RECOVERY FUND MUST BE FILED WITH AND INVESTIGATED BY THE DEPARTMENT PRIOR TO THE PAYMENT OF A CLAIM. FOR MORE INFORMATION ABOUT THE RECOVERY FUND, PLEASE CONSULT THE DEPARTMENT'S WEB SITE AT WWW.SML.TEXAS.GOV.

THIS DISCLOSURE WAS DELIVERED TO THE CONSUMER:

☐ FAX SERVICE

☐ EMAIL SERVICE

☐ FACE-TO-FACE MEETING

☐ OTHER:

DATE DELIVERY INITIATED: July 6, 2018

Undersigned applicant(s) acknowledge receipt of a copy of this signed Texas Mortgage Banker Disclosure.

_____ Date: _____

Average Joe

Date: July 6, 2018
Borrower: Joe
Loan Number: 26111563

Texas
Notice of Right to Choose Insurer

(Tex. Ins. Code sec. 549.052)

You have applied for a mortgage loan which will result in a lien against your property. We, the Lender, will require that insurance covering your property be maintained throughout the term of your loan.

You may purchase or renew insurance from an agent, insurer or other person of your choice, provided the insurance company meets our standard requirements, uniformly applied, including but not limited to the financial soundness and services of the insurer. Such standards shall not discriminate against any particular type of agent, insurer or other person, nor shall such standards call for the rejection of a policy because it contains coverage in addition to that required in the credit transaction.

The insurance must be in place at the time your loan closes through an existing policy or through a policy to be obtained and paid for by you. Obtaining an insurance policy through any particular agent, insurer, or other person will not affect our credit decision or credit terms offered to you, in any way.

By signing below, I/we acknowledge receiving a copy of this Texas Notice of Right to Choose Insurer.

_____ Date: _____

Average Joe