

COMPASS BANK
General Closing Instructions For Residential Home Loans

The attorney, law firm, title agent, or other authorized representative (the "Settlement Agent") identified in connection with these General Closing Instructions For Residential Home Loans (the "General Closing Instructions") has been selected to close the subject real estate mortgage transaction (the "Transaction") and represent the interests of Compass Bank (the "Lender") in said Transaction. Throughout these Instructions, the term "Security Instrument" shall refer to a fully executed mortgage or deed of trust, as appropriate; and "Borrower" shall refer to the Purchaser (whether singular or plural) as identified in the purchase/sale contract and the closing documents. Settlement Agent is responsible for ascertaining the conclusive true identity of all parties to the Transaction. No transaction shall close prior to the proper execution of Lender's Affidavit of Identity ("ID Affidavit"), which shall be signed by Borrower and notarized by the Settlement Agent. A separate ID Affidavit is required for each Borrower and other signatories. The ID Affidavit must be returned to Lender in the closed loan package. Settlement Agent shall prepare certain closing documents, affidavits, title forms and other instruments to protect Lender's interests relative to the Transaction, which shall include ensuring Lender's lien priority and security interest by closing the Transaction in first lien position. Settlement Agent, acting on Lender's behalf, shall be and remain responsible for informing Lender prior to closing of any State or Local law or regulation or court ruling either in effect as of the date of closing, or with such effective date which, in Settlement Agent's professional opinion, will have an adverse affect on Lender's interests in connection with the Transaction. By proceeding with the Transaction, Settlement Agent expressly and unequivocally agrees to adhere to all terms, conditions, instructions and requirements contained herein (the "Terms"), which includes Settlement Agent's unconditional covenant to indemnify and hold harmless Lender from and against all claims, damages, costs, fees, penalties, or other sums incurred and/or accrued which are attributable to Settlement Agent's breach of any Term hereunder. If any portion of these Closing Instructions should be found by State law or a court of competent jurisdiction to be unenforceable, the rest and remainder of said Closing Instructions shall remain in full force and effect as written. In the event of a conflict between the parties to the Transaction, Settlement Agent agrees to immediately notify Lender prior to closing the Transaction. Settlement Agent further agrees to receive communications via facsimile, phone, email, or otherwise from Lender as necessary to conduct closing and post-closing activities. Lender reserves the right to revoke or amend, in whole or in part, these General Closing Instructions at any time.

Each loan package will be accompanied by instructions specific to the contemplated Transaction (the "Specific Closing Instructions"). All closings are subject to the Terms set forth herein. To the extent that the Specific Closing Instructions shall conflict with the General Closing Instructions, the Specific Closing Instructions shall control.

Except in the case of a refinance, each loan has been processed and approved based on terms outlined in a sales contract. If Borrower is to receive any credit from Seller which reduces the agreed upon sales price, or if the terms of the transaction differ from the terms described in the sales contract, Settlement Agent must notify Lender before closing.

The following numbered paragraphs and headings are for convenience only and not intended as legal reference or interpretation on any item herein. Lender requires that Settlement Agent be familiar with all the information and requirements set forth herein and to close the subject transaction in Lender's name in accordance with applicable State law and prudent closing standards. If questions arise regarding these any of the Terms herein, Settlement Agent is instructed to contact the Closer whose contact information is provided in the Specific Closing Instructions to resolve any issues prior to closing.

1. CHECKS TO LENDER AND/OR OTHER PARTIES

Checks to Lender and/or other parties are net funded. Generally, Lender will disburse to Settlement Agent net funds associated with the Transaction. The net funded amount is calculated by subtracting discount points, origination and other fees, prepaid interest, and tax and insurance escrows from the loan amount. In the event checks are necessary to cover fees, prepaid items, or other charges, these funds should be drawn on Settlement Agent's Trust Account and made payable to Lender at the address provided herein. Lender will not accept Borrower's personal check for these items. Property taxes due, including city and school taxes, must be paid by Settlement Agent to the appropriate government entity or authority. Checks payable to Lender must be returned in the closed package and NOT under separate cover. Do not include payoff checks for Lender's Construction-Permanent Loan in the closed loan package unless instructed to do so in the Specific Closing Instructions.

Construction-Permanent Loans

Money for the lot advances and construction disbursements will be available through the Compass Bank Construction Unit. If money is needed at closing, the Specific Closing Instructions will reflect the name and phone number of the person disbursing the funds.

2. CLOSING; RECORDING; DISBURSEMENT; TITLE

Settlement Agent shall close the Transaction in first lien priority position at no expense to Lender. Settlement Agent shall record applicable documents forthwith in the appropriate recording jurisdiction in specific formats required by such authorities where applicable. Settlement Agent shall close the Transaction and disburse proceeds on the same day, subject to Borrower's Right of Rescission, or unless the closing occurs late in the afternoon, making disbursement impractical, in which case Settlement Agent shall notify Lender of the anticipated delay prior to closing the Transaction. If the Transaction is a refinance, a three (3) day right of rescission applies, whereupon funds may NOT be disbursed prior to expiration of the federally mandated rescission period. Loans will be funded by wire on the date of disbursement, except where otherwise required by state law, in which case Settlement Agent should notify Lender prior to closing. Settlement Agent shall be solely responsible for requesting wired funds by providing wire instructions to the Closer indicated on the Specific Closing Instructions via facsimile or Email on or before the closing date. **NOTE: Borrower's name(s), loan number and disbursement date must be shown on Settlement Agent's wire instructions. Loan proceeds shall not be disbursed until Settlement Agent ensures that Lender is in an insured first lien position. Title must be held by natural persons. Any exception to the above must be approved in writing by the Closer prior to closing.**

Closed loan packages must be forwarded to Lender not more than one business day following the latter of (a) closing or (b) disbursement. The package should be returned via U.S. Certified Mail, express mail, courier or overnight delivery; or other method ensuring delivery confirmation and tracking in the event of loss during transit. Loan packages should be returned to:

**Compass Bank
701 32nd Street South
Birmingham, AL 35233
Attn: Post Closing
Mail Code: AL BI SC LPC**

Failure to deliver the closed loan package in a timely manner as reflected above may result in Lender's inability to meet Investors' requirements, whereupon Settlement Agent shall be responsible for immediate reimbursement of all damages suffered as a result of such delay. Settlement Agent shall forward all trailing documents, i.e., final title policy; recorded Security Instrument; etc. to:

**Compass Bank
P.O. Box 10566
Birmingham, AL 35296
Mail Code: AL BI SC LLE**

3. CLOSING BY MAIL

Lender allows mail-away closings on a case by case basis to accommodate special circumstances, provided all documents are executed according to Lender's Closing Instructions and in accordance with applicable State law and local recording requirements.

4. COMPLETION OF DOCUMENTS

Lender may complete all or select portions of the closing documents transmitted with the Specific Closing Instructions. Settlement Agent shall complete all blank spaces on various forms required for closing the Transaction in accordance with applicable State law(s) including, but not limited to, dating forms where required; drafting notary acknowledgments, jurats, or other attestation language; completing Right of Rescission documents; entering jurisdiction and recording information where required; and otherwise completing all closing documents in a manner sufficient to satisfy all legal requirements; preserve Lender's lien position; and expedite the successful recordation of the Note and Security Instrument, together with applicable Riders, Affidavits and/or other such documents. Settlement Agent shall notify Lender immediately upon discovery of any incomplete or incorrect information on any closing documents. Closing Agent shall immediately be provided corrective documents; or, alternatively, shall be requested to prepare said corrective documents as required to proceed to closing to prevent delay. Settlement Agent further agrees to assist Lender in obtaining corrective documents from customer when requested.

5. COMPLIANCE WITH APPLICABLE FEDERAL, STATE, OR MUNICIPAL LAWS AND ORDINANCES

All statutes, laws, regulations and/or ordinances of the specific jurisdiction must be complied with as necessary to provide Lender with a valid first lien upon the property given or conveyed as security for the loan. If the pending loan will be insured or guaranteed by the Federal Housing Administration (FHA) or the Veterans Administration (VA), Settlement Agent is required to comply with any additional instructions or requirements of the respective agency. Within the framework of the real property and mortgage laws governing the jurisdiction in which the property is situated, Lender must be able to originate FHA and VA mortgages which can be government insured and/or guaranteed, and Conventional mortgages that will be acceptable to Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC), and other investors. All such loans must be marketable in the secondary mortgage market. Settlement Agent must comply with all state and federal regulatory requirements and must notify Lender immediately if any changes are made to documents resulting in the necessity of re-disclosure of the Annual Percentage Rate (APR) on the Truth in Lending disclosure, or re-disclosure of the Good Faith Estimate (GFE) for changed circumstances, in which case closing must be delayed for the statutory period pursuant to RESPA.

6. CONTINGENCIES

Special instructions relating to contingencies for the specific loan transaction are included in the Specific Closing Instructions for each loan. Meeting all contingency requirements is vital to Lender's ability to obtain agency or investor approval and deliver the loan promptly. **ALL CONTINGENCIES MUST BE MET PRIOR TO CLOSING.**

7. COPIES

Borrower must be provided a copy of all loan documents signed at closing; however, copies need not be finally executed copies. The closed loan package must consist of the original and required number of copies of each document as requested in the Specific Closing Instructions. Prudent closing practices dictate that Settlement Agent retain a complete set of fully executed copies in case questions or subsequent issues arise, or in the event of misplaced originals.

8. EASEMENTS

Easements contained in Schedule B of the title policy should be properly identified as to purpose and location on the property and checked against public records for any encroachment or violation. Any negative or adverse easements must be brought to Lender's attention prior to closing the loan. A copy of all easements excepted in the title policy is required as part of the closed loan package, except standard easements such as telephone and public utilities. (Refer to "SURVEY" and "TITLE INSURANCE") An ALTA 9 is required on any policy which contains exceptions as to easements.

9. EQUAL CREDIT OPPORTUNITY ACT (ECOA)

ECOA provides that a lender may not require a spouse to obligate her/himself to repay the debt of a spousal borrower, and also provides that a lender accept as a co-borrower any party who qualifies under the lender's income/credit criteria. ECOA permits a lender extending secured credit to require the signature(s) of any person(s) necessary to adequately secure the debt. This will include anyone who has any interest in the property arising out of conveyance, dower, marital rights, or any other rights or obligations based on laws of the state in which the property is located. Settlement Agent must ensure that all necessary signatures are obtained to that end.

10. ESCROW; TAXES; INSURANCE

Construction-Permanent and Renovation-Permanent loans require escrow provisions upon reaching the permanent phase. Lot loans require no escrow funds. For other loan products, the initial escrow deposits must be computed on the basis of actual insurance premiums, tax valuations, and rates. Settlement Agent must take into consideration expected increases in valuations and rates for any tax payments to be made in the 12 months beginning with Borrower's first payment date. For example, if the current tax value is on the basis of a vacant lot or partial completion of construction, but a tax payment based on 100% completion will be due in the 12-month period beginning with Borrower's first payment, the monthly escrow deposits should be based on 100% completion. Exact information will be provided on page 2 of the Specific Closing Instructions. Escrow information will be provided on Page Two of the revised HUD-1 (the amount of escrow deposits to be collected and the Aggregate Adjustment Amount). The escrow section of the HUD-1, signed by Borrower, must reflect the information provided by Lender. Settlement Agent should contact the Closer to resolve any differences with the amounts Lender has provided. All government loans and Lender's affordable housing (CRA) loans require escrow items which cannot be waived. Escrow items may be waived by Lender on certain loan types if the Loan-to-Value is 80% or less, and the loan does not qualify as a Higher Priced Mortgage Loan ("HPML") as defined Regulation Z, effective as of October 01, 2009. Contact Lender if Borrower wishes to waive escrow.

Any waiver of escrow items must be initiated and signatures obtained before the loan closes. Any request at the closing table to waive escrows will result in a delay for statutory re-disclosure and the applicable waiting period before closing can occur.

Escrow for Completion of Improvements

Settlement Agent must obtain prior approval from Lender in order to escrow funds necessary for completion of improvements. If approved, an escrow agreement provided by Lender must be executed by all affected parties and included in the closed loan package. The escrow funds will be held by Settlement Agent. Once the improvements have been completed, the Loan Officer/Processor will contact Settlement Agent and authorize release of the funds.

11. FLOOD INSURANCE

Federal flood legislation states that a lender must require flood insurance on any property situated in a Special Flood Hazard Area (SFHA) once such area has been identified and coverage is available through community participation in the federal flood program. The legislation further states that lenders may not make federally-related mortgage loans on a property in an SFHA if the community does not qualify for participation in the program within a specified period of time after flood areas are identified. Compliance with this legislation is mandatory. Lender obtains a Federal Emergency Management Agency Standard Flood Hazard Determination Form on all properties financed. If Lender indicates that the property is an SFHA, flood insurance is required. Lender must require flood insurance coverage for any improvements located in Zone A or V. The Federal Emergency Management Agency (FEMA) will not allow lenders to waive flood insurance due to elevation of the subject property. The elevation will be helpful to the insurance agent in determining the premium for the flood insurance.

If the property is located in an SFHA (Zone A or V), Lender will require a copy of the flood insurance application and that the paid receipt for the first year's premium be provided at closing. Where flood insurance is required, names, property address and loss payee information should be the same as the hazard insurance policy. Flood insurance should be in the form of the standard policy issued by a member of the National Flood Insurers Association. The minimum amount of flood insurance is the higher of (a) the unpaid balance of the mortgage up to 100% of replacement cost of the insurable improvements (land value is not insurable); or (b) 80% of the replacement cost of the insurable improvements, with replacement cost defined at the "Replacement Cost New" from the appraisal cost analysis. However, unless stated as a special contingency in the Specific Closing Instructions, coverage need not exceed the maximum insurance available (\$250,000.00 residential, \$500,000.00 commercial per building) under the appropriate National Flood Insurance Administration program. The maximum deductible is \$5,000.00. If flood insurance is necessary, an appropriate escrow must be set up if an escrow account for taxes and insurance is required. Settlement Agent is responsible for obtaining certification stating flood insurance is in effect (or copy of flood application and paid receipt) from the hazard insurance agent. If Settlement Agent is unable to do this, THE LOAN MUST NOT BE CLOSED. CALL LENDER FOR ASSISTANCE IN THAT EVENT.

During any period for which the National Flood Insurance Program (NFIP) has lapsed or is otherwise suspended, Settlement Agent shall require specific documentation in accordance with the provisions below, unless otherwise instructed in the Specific Loan Closing Instructions:

- A completed and executed NFIP flood insurance application plus a copy of the borrower's premium check or agent's paid receipt; or
- A completed and executed NFIP General Change Endorsement Form showing the assignment of the current flood insurance policy by the property seller to the borrower; or
- An agent-executed NFIP Certification or Proof of Purchase of Flood Insurance.

If the application and premium payment are dated before the date the NFIP lapsed or was otherwise suspended, and are received by the insurance company within 10 days of application and premium payment, the policy will be issued.

If the application and premium payment are dated on or after the date the NFIP lapsed or was otherwise suspended, it is expected that the premium will be held by the insurance company in order for the policy to go into effect at the earliest possible date. Upon reauthorization of the NFIP, including authorization to issue flood insurance under the NFIP retroactively, the policy will be issued as of the date of the loan closing.

12. HAZARD INSURANCE; EVIDENCE OF INSURANCE

The subject property must have sufficient coverage in place prior to closing, which may be evidenced by the following:

- a signed original policy and applicable endorsements
- a copy of the signed original policy and applicable endorsements
- a signed certificate, evidence, or declaration of insurance or binder where required by law showing at least the following information:
 - named insured and mortgagee
 - complete property address
 - type, amount and effective dates of coverage
 - deductible amount and coverage to which each such deductible applies
 - any endorsement or optional coverage obtained and made part of the original policy
 - insurer's agreement to provide at least 10 days' notice to the mortgagee before any reduction in coverage or cancellation of the policy

Lender also requires proof (paid receipt) that the first year's premium has been fully paid.

Licensing of Insurer

All insurers and re-insurers must be licensed or otherwise authorized by law to conduct business in the jurisdiction where the mortgaged premises are situated.

Assessments

Insurance contracts must provide that no assessment may be made against Lender and that any assessment made against others may not become a lien on the mortgaged premises superior to the outstanding liens.

Rating of Insurer

The required insurance must be provided by a company which can provide evidence that its current rating meets the requirements below (subject to change periodically, based upon investor guidelines):

- Be rated "B" or better or have a minimum Financial Performance Index of "6" as reported in **Best's Insurance Reports**;
- Be rated "A" or better in Demotech, Inc.'s Hazard Insurance Financial Stability Ratings; or
- Be rated BBB or better or have a BBBq qualified solvency ratio in Standard & Poor's **Insurer Solvency Review**, or have an "Aaisi" rating as reported in Standard & Poor's **International Confidential Rating Service**.

Mortgagee Clause

Unless otherwise instructed by Lender, the policy mortgagee clause must insure Lender as follows:

**Compass Bank, ISAOA ATIMA
P.O. Box 200017
Kennesaw, Georgia 30156-9246**

Coverage

At a minimum, the insurable improvements on the mortgaged premises must be insured for loss or damage from fire and other perils covered within the scope of standard extended coverage. Lender will not accept hazard insurance policies that limit or exclude from coverage (in whole or in part), windstorm, hurricane, hail damage, or any other peril normally included under an extended coverage endorsement. An additional endorsement for Sink Hole Coverage is required if exception is required by the title insurer.

The insurance limits must at least equal the higher of (a) the unpaid balance of the mortgage up to 100% of the replacement cost of the insurable improvements; or (b) 80% of the full replacement cost of the insurable improvements. For single-family and multiple-unit properties, the maximum deductible may be up to 5% of the amount of the policy, unless a higher maximum amount is required by state law. If individual deductibles apply to losses from named perils, such as fire, water not caused by flooding, or wind), then each deductible may not exceed 5% of the dwelling coverage. The deductible must apply to either fire or extended coverage, or both.

Planned Unit Developments ("PUDS")

If the individual units are covered by insurance purchased by their respective owners, the PUD homeowners association must maintain "all risk" coverage for common areas and property for 100 percent (100%) of their insurable value and providing for loss or damage settlement on a replacement cost basis. The association must also obtain any additional coverage commonly required by private mortgage investors for developments similar in construction, location and use, including the following where applicable and available:

- Agreed amount
- Demolition cost
- Increase cost of construction

- Boiler and machinery
- The insurer's minimum liability per accident under boiler and machinery coverage must equal the insurable value of the building housing such boiler or machinery or \$2 million, whichever is less.

Deductibles may not exceed the lower of \$10,000 or 1.00% of the applicable amount of coverage. Funds for such deductibles must be included in the association's reserves and be so designated.

Lender will also accept blanket insurance covering all units in the PUD as well as insurable common areas and property, if called for in the PUD's constituent documents. Such coverage must meet the requirements applicable to each PUD unit and those applicable to insurance of common areas and property. Deductibles are allowed under this blanket coverage provided that the deductible for losses to an individual unit does not exceed Five Percent (5%) of the applicable amount of coverage. Funds for any deductibles must be included in the association's reserves and be so designated. The PUD's insurance policy must name the insured in substantially the same language indicated below:

Association of Owners of the (INSERT NAME) Planned Unit Development for the use and benefit of the individual owners (DESIGNATED BY NAME)

Condominiums

The condominium owners association must maintain blanket "all risk" coverage for the following:

- General and limited common elements within the condominium
- Fixtures, machinery, equipment and supplies maintained for the service of the condominium
- Fixtures, improvements, alterations and equipment within the individual units
- Coverage must be for 100 Percent (100%) of the insurable value of the common elements or property described above and provide for loss or damage settlement on a replacement cost basis.

The additional coverage required of PUD homeowners associations are also required of condominium owners associations where applicable and available. Deductibles may not exceed Five Percent (5%) of the applicable amount of coverage. Funds for such deductibles must be included in the association's reserves and be so designated. The insurance policy of the condominium owners association must name the insured in substantially the same language indicated below:

Association of Owners of the (INSERT NAME) Condominium for the use and benefit of the individual owners (DESIGNATED BY NAME)

If the mortgaged premises are in a condominium of detached units and the condominium constituent documents so permit, Lender will accept insurance for the mortgaged premises that meets the requirements of normal 1-4 unit properties. The condominium owners association must maintain all other applicable insurance coverage required in this condominium section.

Liability Insurance for PUDs and Condominiums

The PUD or condominium owners association must carry comprehensive general liability (CGL) insurance covering all common areas, common elements, commercial spaces and public ways in the PUD or condominium. If not already included in the terms of the CGL coverage, there must be a "severability of interest" endorsement precluding the insurer's denial of a unit owner's claim because of negligent acts by the association or other unit owners.

Fidelity insurance is required for principals of homeowners associations for all Class I, II, and III Condominium Projects consisting of more than 20 units. Lender will accept coverage meeting the states' statutory fidelity insurance requirements.

13. HUD-1 SETTLEMENT STATEMENT

This revised HUD-1/1A Settlement Statement ("HUD-1"), effective 01/01/2010, is comprised of Pages 1, 2, and 3 and is required under the Real Estate Settlement Procedures Act (RESPA) and Regulation X. Provisions pertinent to the use and completion of the HUD-1 Settlement Statement are set out in sections 3500.8 to 3500.10, inclusive, and Appendix A to part 3500. The HUD-1 must be completed in accordance with the provisions of RESPA and Regulation X, and as indicated by the preliminary HUD-1 provided to you by Lender. All charges in connection with closing, including prepaid items and closing costs, must be included in the HUD-1 and must itemize all amounts paid, by whom, and to whom. The charges must agree with the sales contract and must be acceptable under FHA/VA regulations, if applicable. If a seller, real estate agent, or third party pays for a charge that was included on the GFE, the charges should be listed in the borrower's column, with an offsetting credit reported in Lines 204-209 of the HUD-1, identifying the party paying the charge. For a seller,

paid charge, the charge should also be listed in Lines 506-509. RESPA and § 3500.8 of HUD's Regulation X require the settlement agent (person conducting the settlement) to complete the HUD-1 Settlement Statement. Therefore, a HUD-1 that is revised to adjust charges, such as to cure a tolerance violation, is also completed by the settlement agent.

NOTE: Transactions involving applications taken and GFEs issued BEFORE 01/01/2010 must close with the HUD-1 (or HUD-1A as applicable) in effect prior to the 01/01/2010 conversion pursuant to RESPA, even if the loan closes after 01/01/2010. Loan applications taken prior to 01/01/2010 are not subject to the Changed Circumstance re-disclosure standards, except as related to the Mortgage Disclosure Improvement Act (MDIA). The new HUD-1 format is required on new applications only (taken after 01/01/2010) and must use the new GFE form (also effective after 01/01/2010). Loans with application dates before 01/01/2010 where the "old" GFE form was used require use of the "old" HUD-1 format. The GFE and HUD-1 must match (old to old and new to new).

ALL SERVICE PROVIDERS MUST BE SHOWN ON PAGE TWO OF THE HUD-1, INCLUDING "POC" SERVICE PROVIDERS. Service provider names known to Lender are shown on page 1 of the Specific Closing Instructions. Do not show Lender as a service provider unless instructed to do so by Lender.

Refinances

There are provisions in the VA and FHA regulations which permit a Borrower to refinance a loan for the sole purpose of reducing the interest rate on the loan, in which event the Borrower is not permitted to receive any cash proceeds from the new loan. In addition, there may be circumstances on a conventional (FNMA; FHLMC; Private Investor) refinance in which the Borrower is not permitted "equity takeout" or to derive cash proceeds for any reason. Please refer to the Specific Closing Instructions or call Lender prior to closing if the disbursement of loan proceeds will differ from that anticipated in the Specific Closing Instructions.

Prepaid Items

Prepaid items include, but are not limited to, initial escrow deposits for taxes and insurance, interim interest, first annual premium for hazard, flood, and any tax service fee or express mail fee, and private mortgage insurance, if applicable. Prepaid settlement costs must be paid by the purchaser of the property unless otherwise specified in the Specific Closing Instructions. All other charges incident to the loan closing, unless otherwise specified, are considered closing costs.

FHA Loans

FHA regulations require that the Borrower must have cash equity in the security property. The equity may or may not include a portion of the closing costs, depending on the type of FHA loan. FHA regulations contemplate that the Seller will pay the sales or brokerage commissions, mortgage assignment or release fees, seller's pro-rata share of taxes, and termite report. On certain types of FHA loans, 100% of the mortgage insurance premiums may be financed or paid in cash at closing (one-time MIP). The MIP will be net funded from the wire, check, or direct deposit sent to Settlement Agent, if financed. HUD charges a late fee if the onetime MIP is not received by them within a ten (10) day period following closing. Settlement Agent is required to submit the closed loan package to Lender within 24 hours of closing. If Lender is required to pay late fees to HUD due to receiving the closed loan package late, Settlement Agent will be responsible for the payment of these fees.

Mortgagees may charge and collect from mortgagors those customary and reasonable costs necessary to close the mortgage. Due to existing requirements, mortgagors cannot pay:

- Tax Service Fee
- Normal Seller Expenses
- Origination fee greater than 1.00%

Mortgagees are also reminded that aggregate charges may not violate FHA's tiered pricing rules.

The seller's maximum contribution to the homebuyer's actual closing, prepaid expenses, discount points, and other financing concessions remains at 6% of the sales price. Seller contributions in excess of 6% will continue to require a dollar-for-dollar reduction to the mortgage. The signature and date of the Borrower, Seller(s) and Settlement Agent, in addition to all certifications required by HUD or the Federal Housing Authority, is required on or attached to the HUD-1.

VA Loans

On the majority of VA loans, a VA funding fee will be required. The VA funding fee will be net funded from the wire, check or direct deposit sent to the Settlement Agent, if financed. VA charges a late fee if the funding fee is

not received by VA within a fifteen (15) day period following closing. Settlement Agent is required to submit the closed loan package to Lender within 24 hours of closing. If Lender is required to pay late fees to VA due to receiving the closed loan package late, the Settlement Agent will be responsible for payment of these fees.

VA regulations require that unless there has been specific approval by VA, certain costs may not be paid by the veteran. Examples of costs the veteran may not pay are: (non-inclusive)

- Underwriting/Commitment Fees
- Appraisal fee (except if veteran's name appears on the Certificate of Reasonable Value).
- Inspection fees for inspections made prior to date of Sales Contract (then limited to one – three if a proposed construction)
- Photo fees, repair inspections and any repairs required by pest inspection.
- Sales/Brokerage Commission
- Settlement or closing fee, document preparation, notary fees (items **1101**, **1105**, **1106** respectively on HUD-1).
- Recording fees for release or assignment of the Security Instrument
- Seller's pro-rata share of taxes for year in which loan is closed
- Charges for copying, mailing, long distance charges, etc.
- Tax Service Fee
- Attorney Fee cannot be shown on line 1107 or 1101. Attorney may charge a Title Search Fee on line 1103
- Termite Inspection (unless a refinance)

Tolerance Cures

A copy of the Compass HUD-1 Description Chart will be provided for use in determining the items composing each sum reflected on the GFE Page three (3) of the HUD-1 contains a chart for the purpose of comparing the charges listed in the GFE to those in the HUD-1. The most recent GFE disclosure provided to Borrower will be provided with the loan closing instructions for use in completion of this comparison chart. The chart groups each charge by the applicable disclosure tolerance. If any charges at settlement exceed those listed on the GFE by more than the permitted tolerances, the originator may "cure" the tolerance violation by reimbursing Borrower. The reimbursement must equal the amount by which the tolerance was exceeded, and it must be paid either at settlement or within 30 calendar days following settlement. **All "cures" will be made in the form of principal reductions and disclosed on the HUD-1 or HUD-1A settlement statement.**

- All settlement fees, regardless of cure, will be disclosed on page 2 of the HUD-1 or in the Settlement Charges section of the HUD-1A.
- The "cure" amount will be reflected outside the column on the first page of the HUD-1 on any available line numbered 204-209. (Use an available line in the 800 series on a HUD-1A.)
- The cure will be reflected as: "Tolerance Cure by Lender Applied as Principal Reduction \$____." If the cure involves a Finance Charge, include the portion of the cure attributed to a finance charge in parenthesis, i.e., (FC \$_____).
- The funds for the cure will not be included in the wire amount .

A COPY OF THE FINAL HUD MUST BE SENT TO THE LENDER FOR FINAL APPROVAL TO OBTAIN THE TRUTH-IN-LENDING (TIL) DISCLOSURE FOR THE LOAN. UNDER NO CIRCUMSTANCES MAY CHANGES BE MADE TO THE FINAL HUD-1 AFTER THE FINAL TIL HAS BEEN ISSUED. IF CHANGES ARE REQUESTED BY BORROWER, CONTACT LENDER IMMEDIATELY. CHANGES TO THE HUD-1 WITHOUT EXPRESS LENDER CONSENT MAY RESULT IN NON-COMPLIANCE WITH STATE AND/OR FEDERAL REGULATIONS, IN WHICH EVENT SETTLEMENT AGENT WILL BE RESPONSIBLE FOR FULL MONETARY CURE TO THE BORROWER.

14. MANUFACTURED HOUSING

The land and improvements must meet the definition of "real estate" under applicable law and the Security Instrument must be evidenced by the appropriate FNMA/FHLMC Uniform Note and recorded FNMA/FHLMC Uniform Security Instrument. Other forms of security, such as a Uniform Commercial Code (UCC) filing, are required if necessary to ensure that the Security Instrument covers all appliances, equipment and fixtures that are intended to be part of the mortgaged premises.

The mortgaged premises must be taxed as real estate by the jurisdiction where they are located if such taxation is permitted under State law as of the Origination Date. The Security Instrument must be covered under a standard real estate title insurance policy or attorney's title opinion or certificate that identifies the Manufactured Home as part of the real property and insures or indemnifies Lender against any loss if the Manufactured Home

is determined not to be part of the real property. ALTA 7 Title Endorsement is required. The Certificate of Title must be cancelled prior to loan closing.

15. VERIFICATION OF BORROWER IDENTIFICATION

To further protect against mortgage fraud and/or identity theft, Settlement Agent shall, as required by the USA Patriot Act, ascertain and verify the true identity of all parties. Settlement Agent must perform the following activities for each Borrower and other signatories.

- a. Explain. Settlement Agent is to explain to Borrower and other signatories that their information is being obtained for the purpose of identity verification.
- b. Lender's Affidavit of Identity. Settlement Agent must
 - (i) require each Borrower to complete and sign the ID Affidavit containing the Borrower's name, social security or other tax identification number, date of birth, full current physical address and type of identification used, including the date of issue and date of expiration
 - (ii) verify that the information provided by each Borrower in the ID Affidavit matches the identity information provided by Borrower at closing
 - (iii) sign the ID Affidavit at the bottom
- c. Closing Agent/Notary Public Certification. Settlement Agent shall complete and sign the ID Affidavit to certify that the information provided in the document matches the identifying information provided by Borrower prior to closing. If the information provided does not match that information provided by Borrower, the closing must be postponed until Lender has approved the information provided by Borrower.
- d. U.S. Residents. Obtain a copy of an unexpired government-issued identification that bears a photograph or similar safeguard.
- e. Non-US Residents. Obtain a copy of one or more of the following:
 - (i) Unexpired government issued document evidencing nationality or residence and bearing a photograph.
 - (ii) Unexpired passport with passport number and country of issuance.
 - (iii) Unexpired alien identification card.

Name Affidavits

From time to time variations in the Borrower's name may occur. If any such variations exist, a completed Name Affidavit must be executed by the Borrower. Names and signatures in the Note and Security Instrument must be uniform in all instances. Settlement Agent should review all loan closing documents to determine there are no name variances.

16. NOTE; FORMAT

Unless specified differently in the Specific Closing Instructions, Lender will accept only the latest revised note forms issued by the respective governmental agencies, investors (FHA-VA-FHLMC-FNMA) or Lender. The loan amount, term, and interest rate cannot exceed the limits imposed by the governmental agency on their mortgage approval form and/or our Specific Closing Instructions. The execution date must coincide with that of the Security Instrument; and the alphabetical and numerical amounts, signatures, installments, and interest rate all must conform to those that appear in the Security Instrument. You are responsible for checking the FHA/Direct Endorsement Approval for HUD/FHA Insured Mortgage and our Specific Closing Instructions sent with each case to ensure the terms of the Note do not exceed the limits set by the respective agency or by Lender.

All notes should be made payable as follows and forwarded to the address below:

**Compass Bank
P.O. Box 13345
Birmingham, Alabama 35202-3345**

Maturity Date

The maturity date of the Note must be the calendar month prior to the calendar month in which the first payment is due, related to the term of the loan involved. On FHA loans the term of the Note must be exactly as shown on the Direct Endorsement Approval for HUD/FHA Insured Mortgage, Form 92900-A. The FHA Case Number and Compass Loan Number must appear on both the Note and Security Instrument.

Alterations; Corrections

All alterations, lift-offs, corrections and erasures, if any, in the Note must be initialed by the Borrower.

Named Borrower

Lender is extending credit to the Borrower listed in our Specific Closing Instructions, and only those so designated shall sign the Note and Security Instrument.

Initial Monthly Payment Due Date

The first payment for all loans will be due on the first day of the second month following loan disbursement; i.e., date funds are disbursed. This may be a different date than the day of execution of the loan documents. Use the date of disbursement to calculate the initial monthly payment due date. For example, if disbursement is made on any day of June except the 1st, the first payment due date will be August 1st. If the loan disburses on the June 1st, collect no interim interest and the first due date will be the first day of the following month, or July 1st.

17. PUDS AND CONDOMINIUMS

Fee simple title to the common areas must be vested in the name of the PUD or owners association and not subject to any liens (including tax liens), statutory liens for labor or materials arising from improvements of the common areas commenced prior to date of closing, or liens arising under or created by any document specifically referred to in Schedule B of the title policy. Standard ALTA endorsements must be issued with the title policies on PUDs and Condominiums. Condominiums: ALTA endorsement Form #4 (T28 for Texas), PUDS: ALTA Endorsement Form #5 (T17 for Texas).

When required by the Specific Closing Instructions the title policy issued on this loan must include additional affirmative coverage as follows:

- There is no limitation on mortgaging a unit to a mortgagee, institutional investor or Lender, or if there is a limitation, FHLMC, FNMA, mortgage bankers, and federally-insured institutions are included as approved mortgagees, institutional investors or lenders.
- The right of the unit owner to sell, lease, transfer, or otherwise convey his unit is not subject to any right of first refusal or similar restriction or if it is, the association must respond within 60 days or agree to a proposed sale or by providing a substitute purchaser; and which restriction in any event would not be applicable to a mortgagee who has acquired title by foreclosure or Deed-in-Lieu.

18. POWERS OF ATTORNEY

NOTE: Settlement agent must not proceed with any transaction in the event that any mortgagor attempts to close via Power of Attorney ("POA") in connection with a mortgage loan application that was originated online or via telephone. Lender reserves the right to prohibit any loan from closing until the true identity of each mortgagor has been conclusively proven prior to closing. Contact your Closer immediately in the above event.

Lender must approve any Power of Attorney ("POA") to be used by either Borrower or Seller prior to closing. The following minimum standards must be satisfied:

- Principal and Attorney in Fact ("AIF") must be specifically identified to match the names reflected on all closing documents, subject to a Name Affidavit obtained for closing purposes
- POA must be specific to the underlying transaction/conveyance
- Principal must extend to AIF authority to make and/or endorse checks; convey and encumber real property; and execute all manner of closing documents on behalf of Borrower or Seller, as appropriate, including execution of corrective documents if needed
- POA must state that AIF's authority has not been amended or revoked; and must be limited in duration (not to exceed sixty (60) days following closing)
- No joint or alternate AIFs shall be permitted to execute any documents; power must be vested in a single individual
- POA must meet all jurisdictional requirements, including notary acknowledgment and jurat standards, including use of seal
- POA should not be executed more than thirty (30) days prior to closing – contact Lender if the POA is older than 30 days
- POA may not be used for a transaction involving a trust – contact Lender immediately if a trust becomes involved in the Transaction
- Lender must approve the POA prior to closing and Settlement Agent's preparation of closing documents
- For Veteran Principals, POA must extend authority for AIF to use the veteran's VA entitlement
- A fully executed POA must be recorded prior to recording the Security Instrument
- Settlement Agent must provide evidence that Borrower is alive as of date of closing. For VA loans and the veteran is in service, a letter or telegram from his/her commanding officer or the veteran personally, dated as of the closing date, will suffice. The Red Cross is often the fastest means of obtaining such verification if the Borrower is out of the country.
- AIF must execute closing documents in substantially the following manner, consistent with the laws of the subject jurisdiction:
 - John Doe, by Jane Doe, Attorney in Fact pursuant to Power of Attorney Dated xx/xx/xxxx

- AIF may not further extend power of attorney to an alternate AIF under any circumstances

If AIF will be signing by mark, notify Lender immediately.

19. REFINANCE

When required in the Specific Closing Instructions, it is the responsibility of Settlement Agent to provide Lender with proof that all debts have been paid. Where paid receipts are not available at the time of closing, proof of payment may be provided by photocopies of the checks used to pay off required debts, together with certification by Settlement Agent that said debts have been paid.

20. RIGHT OF RESCISSION

On those loans in which a security interest is taken in a consumer's primary residence, each consumer who has an ownership interest in the property has the right to rescind. Typical transactions which involve the right to rescind are refinances and scenarios in which title to the primary residence is already in the consumer's name. Transactions which are exempt from rescission include loans made to finance the acquisition or initial construction of the primary residence. Refinances to fully satisfy a Compass Bank Security Instrument with no cash back (except an amount equal to items shown as POC on the Specific Closing Instructions) are also exempt from rescission, and there are several other narrow exemptions. Settlement Agent will receive the "Notice of the Right to Cancel" form in the closing package, if applicable. If there is any question as to whether the loan is subject to rescission call the Closer for clarification prior to proceeding to closing.

Do not close the loan without obtaining the NOTICE OF RIGHT TO CANCEL when applicable. The form must be properly completed, including dating the form. Each party with the right to rescind must receive two copies of the Notice. Please follow these instructions carefully. Lender will not waive the Right to Rescind. The transaction date on the NOTICE OF RIGHT TO CANCEL must agree with the notary acknowledgment date on the Security Instrument.

21. SECONDARY FINANCING

Unless instructed to the contrary in the Specific Closing Instructions, the property shall not be placed as security for any secondary financing. If secondary financing is intended, do not close the loan. Call Lender immediately for further instructions.

22. SECURITY INSTRUMENT

Unless specified differently in the Specific Closing Instructions, Lender will accept only the latest revised form of Security Instrument issued by the respective governmental agencies and investors (FHA; VA; FNMA; FHLMC; etc.) or Lender. Settlement Agent must ensure that the Security Instrument is dated the same date as the Note.

Deed of Trust

In states requiring a trustee to be named in the Security Instrument, the trustee must be properly identified. Confirm the identity of the trustee with Lender prior to closing.

Conformity in Execution

The legal description, loan amount, signatures, payment stream; Annual Percentage Rate ("APR"); date of execution; and all other terms of the Transaction must match throughout the closing documents.

Recordable Acknowledgement

The Security Instrument must be properly completed with date and jurisdiction information, and duly notarized or acknowledged as required by law in the jurisdiction in which the secured property is situated. The original Security Instrument must ensure Lender's first lien position. The original Security Instrument must be recorded immediately after closing/disbursement and returned to Lender as soon as it is available from the recorder's office. All alterations, corrections, erasures, etc. to the Security Instrument must be initialed by the mortgagor(s). A copy of the executed Security Instrument plus the original recording receipt must be submitted with the closing package to Lender.

Mortgagors

All parties who have an interest in the security property must sign the Security Instrument. Such interest may include, for example, title or ownership interests, marital interests (dower or curtesy, where applicable), or homestead. It is the responsibility of Settlement Agent to determine and obtain all signatures necessary to waive homestead rights and secure Lender's first lien position in the secured property. Based on information given by the Borrower, Lender believes the persons named in the Specific Closing Instructions as "Mortgagor" (whether singular or plural) are required to sign the Security Instrument and has prepared the closing

documents accordingly. If a title search indicates that Lender has incorrect or incomplete information regarding the mortgagor(s), Settlement Agent shall advise Lender prior to closing so that corrective documents may be prepared to prevent a closing delay.

Legal Description

When possible, a description by lot, block, and subdivision with reference to a recorded plat is preferable. If a metes and bounds description is used, it must be identical with that shown on the deed to the property. Where property address is required on the Security Instrument in the space following the legal description, enter the street address of the subject property. The address must be the same on Security Instrument and Note and be consistent throughout the closing documents.

23. SIGNING WITH A MARK

If Borrower or Seller executes loan documents with a mark ("X" or otherwise), Settlement Agent must ensure that such execution meets all State law requirements, including drafting specific Notarial acknowledgment phrasing and additional witnesses, when required. Settlement Agent is requested to provide a copy of the legal authority outlining specific requirements for executing closing documents with a mark, forwarded to Lender as part of the closing package.

24. SURVEY

A current survey acceptable to the title company is required. There must be no exceptions as to matters of survey on the Final Title Policy. Subject to the title company's requirements, if a current survey is not obtained, Settlement Agent must obtain from Borrower a Survey Affidavit, acknowledging Borrower's knowledge that neither Lender nor the title company will be held liable for any matters which a current survey would reveal.

A foundation survey is required prior to the first construction or construction-permanent disbursement.

Before closing and disbursement, a waiver must be obtained from FHA or VA, or approval from Lender regarding any of the following:

- any discrepancy between actual legal description and the legal description furnished in the Specific Closing Instructions
- any reduction in lot size indicated on survey greater than 2.00% on the front lot line and 5.00% on the side and rear lot lines
- any violation of restrictive covenants, building set back lines shown on survey, or zoning ordinances and regulations
- any joint agreement not of record
- any encroachments from or onto the property, or any easement affecting the property
- any water system other than individual well, i.e., approved community or public
- any other exceptions such as rights-of-way, water courses, or rights of others, whether or not in the public record, to be shown as exceptions on the title insurance policy

Borrower may be able to use an existing survey or such information or affidavits acceptable to the title company as long as the title company is willing to afford full coverage with no exceptions as to matters of survey. A copy of the existing survey plus other documentation required by the title company must be included in the closed loan package.

Some title companies will give Lenders full survey coverage without an existing survey; however, the Borrower may have no coverage over matters which would be revealed by a current survey. In such cases, Lender recommends that the Borrower obtain a survey to ensure maximum protection. In the event that the Borrower declines obtaining a current survey, Lender requires a statement acknowledging that the Borrower assumes all risk of closing without the benefit of a survey, said instrument holding Lender and the title company harmless.

25. TAXES

All payments of real property taxes, special or supplemental assessments, must be current prior to closing the loan. TAXES DUE WITHIN 60 DAYS OF CLOSING MUST BE COLLECTED AND PAID BY THE SETTLEMENT AGENT. Any exception in the title policy regarding taxes, special or supplemental assessments, is acceptable only if noted as "not yet due and payable". Adequate escrow funds must be established to ensure payment in full of all taxes and assessments by the due date (unless escrow is waived, which would be noted in the Specific Closing Instructions).

26. TAX INFORMATION SHEET

The Tax Information Sheet requires the following information:

- Permanent Tax Office Identifying Number (Tax Code, TMS number, parcel or other identifying number);

- Tax map, lot and block must be shown exactly as listed on tax records;
- Property address must be reflected;
- Sanitary district, fire dues, or other municipal fees/assessments must be listed if to be paid from escrow, or if payment is required to cure an arrearage or outstanding amount;
- City and County taxing authorities must be shown independently in relation to the amount payable to such entities, as applicable;
- Tax bills are derived from information on this sheet; therefore, all information must be completed accurately and completely;
- Estimated amount of tax bill and property value must be shown for current and subsequent year, particularly if the subject property is to be taxed for current year as vacant land; and
- Tax sheet must be signed by Settlement Agent certifying due date and the date through which taxes have been paid.

27. TERMITE INSPECTION

A Soil Treatment Guaranty is required on new construction, where applicable, in accordance with laws of the state in which the property is situated. If a Wood Destroying Insect Information Report ("Termite Report") is required, Settlement Agent is responsible for determining that the report is completed properly and will be acceptable in all respects to VA, FHA, or other investors as appropriate. Borrower must sign the report accepting and acknowledging receipt of the same. The form must be completed in detail and signed by the technician/examiner. The original must be forwarded to Lender in the closed loan package.

If active termite infestation is indicated, the property must be treated prior to closing. A qualified building expert must also inspect the home for any structural damage. If the resulting structural report shows only cosmetic damage, the loan may proceed to closing. If, however, the report reveals any structural damage, the damage must be repaired prior to closing. Escrow for damage is not allowed.

If prior infestation with no current activity is present, treatment is not required; however, the home must still be evaluated by a qualified building expert and any structural damage noted and repaired prior to closing. Escrow for damage is not allowed.

If the Termite Report indicates water damage, the home must be evaluated by a qualified building expert and any structural damage noted and repaired prior to closing. The cause of the water damage, i.e., water leak, defective gutters, etc., must also be repaired prior to closing to prevent further damage, with proof of repairs provided at closing and forwarded to Lender in the closing package. Escrow for damage is not allowed.

Settlement Agent should contact Lender with any questions concerning infestation, damage, or required repairs.

28. TITLE INSURANCE

Settlement Agent is responsible for determining, prior to closing, that the title policy requirements set forth below can be met. Failure to meet these requirements may render the loan unsalable. If the title policy cannot be issued in accordance with these requirements, THE LOAN MAY NOT BE CLOSED. Call Lender with any issues prior to closing.

Coverage

The policy must insure that the title is generally acceptable and that the Security Instrument constitutes a valid first lien on the Borrower's fee simple estate in the mortgaged premises. The title policy must also list any subordinate liens and state that they are subordinate to Lender's first mortgage lien. Subordination Agreements must be obtained, if applicable. Call Lender to discuss obtaining Subordination Agreements if needed.

Format; Evidence of Insurance

Lender will accept only the American Land Title Association (ALTA) Loan Policy – 1992 (or latest revision) with the ALTA Form 8.1, Environmental Protection Lien insurance policy for a first mortgage that is closed for us, which must be written by a title insurance company endorsement included (T36 in Texas).

Issuing Company

As of March 1, 1995, each title that had at least one of the following ratings at the time the mortgage loan was closed:

- A Financial Stability Rating of "S" (Strong) or better or a "Statutory Accounting Rating" or "C" (Average) or better from DEMOTECH, Inc.;
- A "BBB" or better rating from Duff and Phelps Credit Rating Company;
- A "C" or better from LACE Financial Corporation;

- A "Baa" or better rating from Moody's Investors Service; or
- A "BBB" or better rating from Standard and Poor's, Inc.

Settlement Agent must ensure that policy is written through LSI, a division of Lender Processing Services, Inc. (LSI), which we have contracted as our Settlement Management Company, a title company which has issued and we have on file an "Insured Closing Indemnification Agreement to Lender", or the Borrower has chosen a title company outside of LSI and said title company has an acceptable rating as indicated above, and has provided Compass Bank with an "Insured Closing Indemnification Agreement to Lender".

Effective Date/Effective Period

The effective date of the title insurance policy may be no earlier than the latter of (a) the date of final disbursement of loan proceeds; or (b) the date of recording the Note and Security Instrument. The policy shall remain in effect during the entire life of the loan – this includes Construction-Permanent loans. The Modification Agreement executed when the house is completed is not recorded; therefore, title insurance is not updated at that time. Settlement Agent must order the title policy at the original Construction-Permanent closing that will be in effect during the entire life of the loan. It is acceptable to Lender for the title policy to show an exception as to matters of survey *for a Construction-Permanent loan* if no materials have been taken to the lot and no labor performed. Lender's Construction-Permanent department will have this exception deleted after the foundation of the new house has been completed. Lender requires a Flood Certification on all loans. See "FLOOD INSURANCE".

Name of Insured

Unless otherwise advised by Lender, the title insurance policy must insure Lender as follows:

Compass Bank, ISAOA ATIMA

FHA Loans:

Compass Bank and/or Secretary of Housing and Urban Development, their successors and/or assigns ATIMA

VA Loans:

Compass Bank and/or Administrator of Veterans Affairs, their Successors and/or assigns ATIMA

Amount of Insurance

The amount of title insurance coverage must equal, at a minimum, the original principal amount of the mortgage loan. If the principal amount of the loan can be increased (Construction-Permanent), the title insurance must cover the maximum possible increase.

Final Certificate

Any exception to be shown on the title policy not listed as an acceptable title exception below should be discussed and approved by Lender prior to closing. Settlement Agent should request a final title policy immediately after recording the Note and Security Instrument and forward the final title policy to Lender upon receipt. The final certificate should not be delayed pending receipt of "satisfied" papers from a holder of a prior Security Instrument. The title insurance company will normally issue the title policy without exception if Settlement Agent furnishes evidence of payment in full from the previous mortgagor. Any delay in receiving the mortgagee title policy subsequent to closing can cause failure to meet delivery dates to investors, resulting in costly penalties. Lender accepts title insurance in the form of a "Certificate of Title Insurance" or a "Short-Form Title Policy" under a master policy with the majority of the major title insurance companies. Please inquire with the title insurance company to request a "Certificate of Title Insurance" or a "Short-Form Title Policy", if available.

Special Title Coverage Requirements

Any charges for title endorsements must be detailed on the HUD-1:

- Environmental Lien Protection (all loans) –ALTA 8.1 endorsement (T36 in Texas)
- PUD units – ALTA 5 endorsement (T17 in Texas)
- Condominium – ALTA 4 endorsement (T28 in Texas)
- Adjustable Rate Mortgages – ALTA 6 endorsement (T33 in Texas)
- Negative Amortization – ALTA 6.2 endorsement (T31.1 in Texas)
- Leasehold Estate – ALTA Leasehold policy (T5 in Texas)
- Manufactured Housing Unit – ALTA 7 endorsement (T31 in Texas)
- Restrictive Covenants/Easement/Mineral Rights (all loans) – ALTA 9 endorsement (T19 in Texas)
- Texas Equities - T42 and T42.1
- CA

- **Construction-Permanent Loans Only:** Lender requires affirmative coverage on any exception taken to mechanic or materialmen liens. Also, all title policies must contain a pending disbursement clause exception. A title update will be required with each construction disbursement.

Assignment and Endorsement

Subsequent to closing, Lender may request a title policy endorsement and/or the recording of an assignment of Security Instrument to a permanent investor. It is important that these instruments be processed and returned immediately after receipt of Lender's request.

Certification

An individual Settlement Agent may not certify to the title or handle the closing of his/her own loan.

Acceptable Title Exceptions (Non-inclusive)

Customary **public utility subsurface easements** as long as they do not extend under any buildings or other improvements, that were in place and completely covered when the mortgage was originated;

Above-surface Public Utility Easements

Above-surface public utility easements extending along one or more of the property lines for distribution purposes, or along the rear property line for drainage, as long as they do not extend more than 12 feet from the property lines and do not interfere with any of the buildings or improvements or with the use of the property itself;

Mutual easements for joint driveways and party walls must be recorded, provide unlimited use without restrictions, specify obligations of parties as to maintenance, and must be binding upon all heirs and assigns. (A copy of the recorded agreement must be included in the closed loan package.)

NOTE: Any easements or rights of way, either recorded or unrecorded, must be specifically identified as to location and purpose. If you are unable to provide this service because the easement(s) is non-specific, please have the title company provide affirmative coverage against loss. If any easement adversely affects the property, also provide affirmative title coverage against loss. Provide lender with a copy of all easements to be accepted in the title policy.

Ad valorem real property taxes which the policy identifies as a lien, but "not yet due and payable".

Restrictive covenants and conditions, and cost, minimum dwelling size, or set back restrictions, as long as their violation will not result in a forfeiture or reversion of title or a lien of any kind for damages, or have an adverse affect on the fair market value of the property. The title policy must state that the restrictions have not been violated and insure that future violations will not cause a forfeiture or reversion of title. If violated, the title policy must affirmatively insure against any loss or damage.

Encroachments of one foot or less on adjoining property by eaves or other overhanging projections or by driveways, as long as there is at least a ten-foot clearance between the buildings on the security property and the property line affected by the encroachment;

Encroachments on adjoining properties by hedges or removable fences;

NOTE: Express affirmative coverage against "any loss or damage" is required in connection with each exception to any and all minor encroachments, violations, of restrictions, common walls, overhangs of eaves, porches, decks, roofs, etc. (In ordering the title policy, you should specifically request that the title company provide affirmative coverage.) **If the main body of the house or improvements encroach upon adjoining property, do not close the loan even if affirmative coverage is available. Call Lender prior to closing.**

Outstanding oil, water, or mineral rights as long as they do not materially alter the contour of the property or impair its value or usefulness for its intended purposes. The policy must affirmatively insure that the exercise of such rights will not result in damage to the property or impairment of the use of the property for residential purposes.

Variations between the appraisal report and the records of possession regarding the length of the property lines, as long as the variations do not interfere with the current use of the improvements and are within an acceptable range (for front property lines, a 2% variation is acceptable; for all other property lines, 5% is acceptable.)

Rights of lawful parties in possession are acceptable as long as such rights do not include the right of first refusal to purchase the property. No rights of parties in possession (including the term of a tenant's lease) may exceed two years in duration. The title policy must affirmatively insure as to the above facts. Any other exceptions regarding rights of parties in possession for recorded or unrecorded leases are generally unacceptable unless prior approval is obtained from Lender and the tenant's rights or lease is fully subordinated to the mortgage and the title policy affords affirmative coverage against all loss or damage occasioned by exercise of any rights under the lease.

Minor discrepancies in the description of the area, as long as the policy provides affirmative title insurance against all loss or damage resulting from the discrepancies.

Right of Redemption, as long as the redemption period is expired or a properly executed waiver has been approved by Lender. If the redemption period is less than one year, an Indemnification Bond for the remainder of the period must be provided.

29. TRUTH-IN-LENDING

All closings are subject to compliance with the Truth-in-Lending Act ("TILA") and Regulation Z. Settlement Agent must be familiar with Regulation Z, as amended, to discuss disclosures and relevant issues with Borrower as required.

DO NOT CLOSE THE LOAN WITHOUT OBTAINING A SIGNED FEDERAL TRUTH-IN-LENDING DISCLOSURE STATEMENT (THE "TIL"). SETTLEMENT AGENT MUST PROVIDE LENDER WITH A FINAL HUD-1 BEFORE THE TIL, SPECIFIC CLOSING INSTRUCTIONS AND RELATED DOCUMENTS CAN BE PREPARED FOR CLOSING.

At that time, a final TIL will be forwarded to Settlement Agent for Borrower's signature. This form is prepared based on our best knowledge of the anticipated closing date. An updated TIL as to DATE ONLY is not required. All other discrepancies require contacting Lender immediately.

IF THE FEE AMOUNT OR THE PARTY RESPONSIBLE FOR PAYMENT OF THE FEE CHANGES FROM THE CLOSING INSTRUCTIONS, CONTACT THE CLOSER FOR AN UPDATED TIL.

When required, Settlement Agent must have Borrower sign and date TWO copies of the TIL prior to the execution of the other loan documents and return one to lender with the closing documents. An original must be given to the Borrower. The statement must not be altered or used in preparation of closing documents.

30. WARRANTY OR COMPLETION OF CONSTRUCTION

If FHA or VA approves plans and specifications prior to beginning of construction and inspects property during construction, then Warranty of Completion of Construction in Substantial Conformity with Approved Plans and Specifications will be required. The name of the builder should be entered in the Warranty form.

31. CONSTRUCTION OR CONSTRUCTION-PERMANENT LOANS

A Construction Loan Agreement is required on all Construction-Permanent loans. The Agreement contains special conditions applicable to the construction phase of the loan. Borrower must sign the document at closing. A signed copy of this agreement must be included in the Closed Loan Package.

Escrows and interim interest will not be collected at closing. The escrow account will be established when the loan modifies to a permanent loan. Effective 08/24/2009, all Construction-Permanent products in all states having an LTV above 80% require escrows. (Refer to Secondary Announcement 38-09) Interest will be billed to the Borrower each month based on the construction draws taken.

Flood Insurance

If the "Special Contingencies" in the Specific Closing Instructions indicate flood insurance is required, coverage must be in place before the loan is closed.

Title Insurance

Coverage is required on all Construction-Permanent loans. Lender will accept an exception as to matters of survey under certain conditions. Compass' Construction-Permanent Department will obtain an endorsement from the title company when the foundation survey has been completed.

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