

INITIAL LOAN DISCLOSURE

TO: _____
(Borrower)

RE: _____
(Property Address)

The loan Borrower is applying for will be subject to certain conditions and requirements. This Disclosure is provided to inform Borrower of some of the more frequently asked about conditions and requirements which will apply should Borrower's loan be approved.

LOAN PLAN DISCLOSURE

As part of the application process, Borrower will be provided with a separate Adjustable, or Fixed Rate Mortgage Disclosure, which summarizes the terms of the Loan Plan Borrower selects.

TAX & INSURANCE ESCROW ACCOUNT

During the life of the loan, Borrower will be required to maintain a tax and insurance escrow account whereby 1/12th of the annual taxes and insurance will be deposited monthly into a non-interest bearing account. This requirement may be waived when the loan amount is not greater than 50% of the property's value as defined by Lender.

PROPERTY CONDITION, WOOD DESTROYING INFESTATION AND/OR ENVIRONMENTAL ASSESSMENTS

As part of the loan approval process, a property condition, wood destroying infestation and/or environmental assessment report(s) may be required at Borrower's expense. A property condition assessment will be required when: 1) the building is 50 or more years old and the loan amount is greater than \$500,000; or 2) the loan is a 'cash out' refinance requesting \$100,000 or more cash out; or 3) required by underwriting based on information contained in the appraisal or other documentation. If required, the property condition, wood destroying infestation, or environmental assessment report(s) must provide information that the property meets Lender guidelines, and/or conforms to all environmental laws, municipal rules and regulations on zoning and building standards, and does not contain any peeling or flaking lead-based paint, or other hazardous materials or substances, or demonstrate any material physical or functional deficiencies. Properties with deficiencies such as deferred maintenance, significant obsolescence, life/safety issues, or other repairable items, which affect the optimum operation and continued use of the property may result in additional equity requirements and/or may cause: 1) denial of Borrower's loan request; or 2) a holdback of loan funds until all required deficiencies are cured, at Lender's discretion.

LOAN COMMITMENT AND CONDITIONS OF APPROVAL

If your loan is approved, a loan commitment letter will be issued which will require Borrower's written acceptance. Loan commitment conditions must be satisfied prior to scheduling the closing. If approved, your loan will provide for a prepayment fee if the loan is prepaid under certain circumstances. Based on Borrower's prior property management experience, Borrower may be required to engage a third party, professional management company.

CLOSING COST ESTIMATE

To close Borrower's loan, it is estimated that Borrower's costs will include: \$ _____ (Points);
 \$ _____ (Application Fee [*incl. Applicable Appraisal & Property Condition Assessment*]);
 \$ _____ (Title Charges);
 \$ _____ (Prepaid Interest);
 \$ _____ (Tax & Insurance Escrow Reserves); **\$1,020.00** Underwriting Fee;
 \$ _____ (Other)

Total Cost Estimate: \$ _____. **(Application fee is non-refundable).**

These estimated costs are given in good faith to provide Borrower with an idea of the costs associated with the loan. They are based on costs believed to be accurate at the time of application; however, Lender accepts no responsibility for their accuracy.

ASSUMABILITY

The Loan is assumable upon satisfaction of certain conditions contained in the loan documents, including, without limitation, credit approval of the proposed transferee and payment of an assumption fee equal to 1% of the outstanding principal balance.

CLOSING REQUIREMENTS

The loan must close at the title company through a deed and money escrow. Unless specified differently in the Note and/or Mortgage, all Borrowers will be required to personally guarantee the loan. At least 3 days prior to closing the loan, Borrower will be required to provide Lender with the following:

1) **Insurance Policies** - complete original copies (both declaration and jacket) of property, liability and other required insurance coverage, along with a paid receipt for the first year's premium. The company(s) must have a Best's rating of A- or better. Property coverage must be equal to or greater than the amount required by Lender, with the mortgagee clause to "_____ (Lender), its successors or assignees as their interests may appear, _____ (Lender's Address)."

BINDERS ARE NOT ACCEPTABLE, except in the State of Washington.

2) **Survey** - a copy of a current survey (no more than 6 months old) showing all improvements on site. On refinances, if the property contains 12 units or less, an older survey is acceptable provided no new improvements have been added and an affidavit is provided to that effect at closing.

SERVICING OF THE LOAN

Lender reserves the right to transfer the servicing of the loan.

APPRAISAL REPORT / PROPERTY CONDITION ASSESSMENT / ENVIRONMENTAL ASSESSMENT

Upon Borrower's written request, Borrower will be provided with a copy of the appraisal report, property condition assessment and/or environmental assessment report. Said request must be made within 90 days of loan approval/denial of Borrower's application. The address to where the request may be sent will be provided to Borrower at the time of the notice of action.

FINANCIAL COVENANTS

For the duration of the loan, Borrower, upon request, will be required to provide Lender with current personal financial statements, tax returns and operating (income and expense) statements on the property. Borrower hereby agrees to pay a fee in an amount determined by Lender from time to time, as provided in the Note, if Borrower fails to provide this information within 30 days of a request.

TITLE COMPANY AUTHORIZATION

Borrower hereby authorizes Lender to select a title insurer, licensed to do business in the state where the property is located, for the purpose of providing title insurance, and escrow closing services in connection with this transaction, unless a specific title company has been otherwise agreed upon or designated to provide such services.

ACKNOWLEDGEMENT AND NONRELIANCE ON VENDOR REPORTS

Borrower hereby acknowledges that Lender or its agents may retain third parties (collectively, "Vendors") to obtain and analyze information and other material concerning Borrower and/or the real estate which is being offered to Lender as collateral (the "Real Estate") and to issue reports to Lender (collectively, "Reports") concerning the information obtained and the analysis thereof. Such Reports shall include, but are not limited to, credit reports, appraisals, property condition assessments, wood destroying infestation reports, certifications of engineers or other construction or building component experts, environmental assessments, market or feasibility studies, surveys and searches of land records. Borrower understands that Borrower shall not be entitled to receive copies of any Reports or information contained in any Reports except where indicated elsewhere.

Borrower further acknowledges and understands that such Reports are issued for the sole benefit and protection of Lender for the purpose of Lender making a decision on whether Lender is willing to approve Borrower's loan application for real estate financing. Regardless of whether or not Lender approves Borrower's loan application, it is agreed that: (a) Borrower shall not rely in any manner on any Reports or any information or analysis contained therein whether copies of any such Reports are delivered to Borrower either intentionally or inadvertently by any party; (b) Borrower is not intended in any way to be, and shall not claim to be, a third party beneficiary of such Reports, even though Borrower may have incurred the costs for preparing such Reports directly or as a loan charge in connection with the application; and (c) it is Borrower's responsibility to determine the value and/or current condition of the Real Estate for Borrower's benefit either through Borrower's own due diligence efforts or through agents which Borrower retains for that purpose.

BORROWER REPRESENTATIONS

Borrower(s) is not related to either an officer or director of Lender, except as noted below. The subject property has not been purchased from an officer or director of Lender, except as noted below. If Borrower is an organization, no director or officer of Lender, holds a stock or partnership interest, or officer or director position in this organization, except as noted here:

Borrower(s) further represents that the proceeds from this loan will be used for business purposes and that the principal obligation secured by the mortgaged property constitutes a business loan. If this is a refinance request is the subject property owned free and clear? Yes No

Borrower(s) further represents that the net proceeds (that being the remaining loan amount following the repayment of any and all liens [if applicable] on the subject property plus closing costs) of the loan will be used for the **(check all that apply)**:

- 1) Rehab of the subject property
- 2) Purchase of additional real estate (please specify):
 - Residential / Multifamily property
 - Commercial property (property where more than 25% of the units are "non-residential")
- 3) Replenishment of reserves
- 4) Not applicable as this is a rate and term refinance request

Borrower(s) has read and understands the foregoing conditions, acknowledgements and requirements and understands that: 1) Lender is relying on Borrower's understanding of the foregoing conditions, acknowledgements and requirements as an inducement for Lender to review and process Borrower's loan application for real estate financing; 2) Borrower intends to be legally bound to the terms contained herein and Borrower intends that such terms and conditions shall survive the closing of the mortgage loan contemplated hereby; 3) Borrower acknowledges receipt of a copy of this Disclosure, and understands that this Disclosure contains only some of the more frequently asked questions about conditions, acknowledgements and requirements associated with the loan; and 4) Borrower also acknowledges that this Disclosure does not constitute or represent a loan approval by Lender.

(Borrower)	(Date)	(Borrower)	(Date)
(Borrower)	(Date)	(Borrower)	(Date)
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(Borrower)	(Date)	(Borrower)	(Date)