

SAN JUAN MORTGAGE LOAN APPLICATION DOCUMENTS

Thank you for selecting *San Juan Mortgage* for your home financing needs!

Applying for a home loan can be a challenging experience, particularly if you've never done it before. You can be assured that we will be responsible for 99% of the work. We'll assist you during your collection of the information needed to process your loan, and we'll give you professional guidance with any issues that may impact on your ability to get the loan of your choice.

There are two ways to receive your initial loan application package: (1) the entire package can be sent to you via UPS, or (2) you can apply on-line (recommended), in which case you should have already downloaded these documents. In this case, we will be sending you a few more in the mail, as well as three information booklets and your Truth in Lending Disclosure if you haven't already received it. If you choose to apply online, be certain to carefully review the **On-Line Processing** page on our website. It will simplify the process for you.

The collection of this information is an important first step in processing a loan that will be approved fast with the fewest possible conditions, so please provide everything requested. If you can't provide something, let us know. We'll do our best to find an alternate form of documentation that will satisfy our wholesale lender's underwriter.

As soon as you have these documents, give us a call. We'll go over each document with you and show you where to sign.

THANKS for your business,

Terry Donovan

Documents Included In This File

Page One of One

<u>File Page #</u>	<u>Document Title</u>	<u># Pages</u>	<u>Signature Page</u>
1	Introduction Letter	One	
2	Documents List	One	
3 & 4	Step-by-Step Application Instructions	One	
5	Loan Application Fees	One	
6	Loan Processing Information Checklist	Five	
11	Authorization To Release Information	One	X
12	Mortgage Loan Origination Agreement	One	X
13 & 14	Mortgage Loan Disclosure	Two	X
15	Rate Lock Information	One	
16	Rate Lock Disclosure	One	X
17 & 18	Rate Lock Agreement/Disclosure	Two	X
19	Occupancy Certification	One	X
20 & 21	Applicant's Understandings	Two	X
22	Important Information	One	
23	Returning Your Documents	One	

Step-by-Step Application Instructions

Page One of Two

The following instructions will assist you in applying for your new home loan. If you have any special needs that are not addressed in these instructions, give us a call right away. You will obtain the processing documents and loan disclosures in two parts.

PART ONE: These 23 pages will be downloaded from our www.justhotrates.com website when you open the “**Apply For A Loan**” web page. Print all of these documents on letter size paper.

PART TWO: These documents will include your initial loan application form as well as several disclosures including your Good Faith Estimate and Truth In Lending Disclosure. We'll e-mail them to you after we review your completed On-Line application. If you don't have access to a computer, we will mail them to you.

1. Verify that you have successfully printed all of the **PART ONE** processing documents by checking them against the “*Documents Included In This File*” list on (File Page Two), or by counting the 22 (File Pages) located at the bottom of each page.
2. Call Terry Donovan when you have the documents in hand. He will go through these documents with you. Pull out the five page **San Juan Mortgage Loan Processing Information Checklist** and keep it handy. In just a few minutes, he will show you what information will need to be collected in order to process your loan application.
3. Carefully review each document that requires your signature(s), then sign and date each one.
4. Go to our www.justhotrates.com website and click “**On-line Processing**” on the Side Bar. If you can, **PRINT THIS PAGE**. When you begin the on-line Loan Application procedure, having this printed page as a reference will be very helpful and make the process much easier.
5. Complete the Uniform Residential Loan Application which can be found on our website under any of the “**Apply For A Loan**” links. It can be completed either on-line or by printing a hard copy. We recommend that you complete the ON-LINE version because we will receive it faster in order to send you the PART TWO documents. Return the application to us when complete - either on-line or with your other documents.

Step-by-Step Application Instructions

Page Two of Two

6. After you have collected all of the required information in **PART ONE** and **PART TWO** and have signed and dated all of the documents, send them to us using a courier service such as FedEx or UPS that will provide you with a computer tracking number.

SEND ALL OF THE INFORMATION TO:

TERRY DONOVAN
461 CASCADE WAY
EASTSOUND, WA 98245

7. After you send the package, call us or send an e-mail letting us know when it was shipped and include the shipper's name and the tracking number of the package so we can follow its progress.
8. After we begin processing your information, we will be sending you three information booklets. These booklets provide helpful information about the terms of your loan.
9. Please send us an e-mail at terrydonovan@sanjuanmortgage.com with the following information:
 - A. The name, address, phone number, escrow number and escrow officer's name of the title company handling your real estate transaction.
 - B. The name, address and phone number of your Realtor, if applicable.
 - C. The name and phone number for the insurance agent providing the policy for the home you are purchasing at this time.
10. Sign all of your loan application forms using black or blue ink. Please **DO NOT** use White-Out or any other similar correction fluid on any of your documents. If you should make an error on any of the documents, you can cross out the error, place your initials near the error, and make the needed correction.

Loan Application Fees

Page One of One

In order to process your new home loan, we must order a credit report and an appraisal. We must receive these application fees in order to begin our work. Both the credit report and the appraisal are ordered as soon as we begin processing, and the payment for both are your responsibility. During the processing of your loan, we'll provide you with a copy of both. Refer to the "**Security Protocols**" page on our website for more information regarding how we protect this important information.

CREDIT REPORTS:

Each borrower must obtain a credit report, which we will order. Married couples with joint assets and liabilities can use a joint credit report. Individual borrowers must obtain individual credit reports. Credit reports cost between \$40 and \$50. You can obtain detailed information on credit reports by opening the "**Hot Topics!**" page on our website.

After we receive your completed credit report, we will e-mail or fax it to you so that you can review it for accuracy. Any derogatory credit entries on the report will need to be corrected if erroneous, or explained in writing prior to our submission to underwriting. We will assist you in the writing of any letters that may be required.

PROPERTY APPRAISAL:

Whether you are buying a new home or refinancing your current one, you will need to obtain an appraisal to determine the property's market value, which we will order. Each wholesale lender has an "**Approved Appraiser List**" from which we must make our appraiser selection. After we decide which wholesale lender will satisfy your appraisal needs, we will choose the appraiser and order your appraisal report. Your Realtor may be able to assist us with the selection.

The cost of your appraisal will depend on a number of property factors, which will be influenced by our automated underwriting service, if used to approve your loan. These factors may include your property location, the size of the home, and the complexity of the design. For those reasons, we will obtain an estimate of the cost from the appraiser before we request payment from you. If the final cost of the appraisal is lower than the amount we collect from you, the difference will be refunded. At a minimum, most appraisals will cost \$450.00.

Take a look at the "**Hot Topics!**" page on our website for detailed appraisal information.

San Juan Mortgage Loan Processing Information Checklist

Page One of Five

This checklist was prepared to facilitate the collection of a wide variety of loan processing information. You'll only need to provide a small portion of the total itemized here, depending on the automated underwriting response. **SEND ONLY COPIES OF THE INFORMATION REQUESTED.** In order to provide our customers with a helpful explanation for the requested information, we have added a brief discussion under each category. **After you have printed this checklist, please call San Juan Mortgage for assistance. Terry Donovan will tell you which categories pertain to your loan requirements and which forms you'll need to fill out.** Most forms will only need your signature and date.

1. **AUTHORIZATION FORMS:** Each borrower who will be included on the Mortgage Note and Trust Deed must sign **ALL** of the authorization forms. The Uniform Residential Loan Application needs to be signed and dated near the middle of **PAGE FOUR** and at the bottom of **PAGE FIVE**. Verification of employment forms as well as the authorization forms for bank and securities accounts should be signed by the person listed on the account. All joint accounts require those verifications to be signed by both persons listed on the account.

2. **APPRAISAL and CREDIT REPORT FEES:** We will determine what these fees will be based on your specific loan details and either e-mail or call you with the individual amounts. Then, just send us a check or money order for the combined total amount of \$_____ made payable to **San Juan Mortgage Trust Account**. Please be aware that loan processing cannot begin prior to our receiving these application fees.

3. **REAL ESTATE PURCHASE CONTRACT:** Provide a copy of your fully executed purchase contract, counter-offers and any addendum. A copy of the cancelled check or other verification for your Earnest Money payment will be required prior to the closing of your loan.

4. **RESIDENTIAL LOAN APPLICATION:** Complete the On-line Residential Loan Application and include all details requested. After we receive your application, we will call you to review the information. Generally, we will need to make corrections and/or additions to the application as your loan is processed. Prior to submitting your loan, we will request that you sign an updated version if necessary.

5. **IDENTIFICATION DOCUMENTATION:** The USA Patriot Act requires all financial institutions to obtain, verify and record information that identifies every customer. To comply with this Federal law, please provide a color copy of one of the following: valid driver's license, passport, Washington State ID, military ID, or other photo ID issued by a department of a State or Federal agency.

6. **MORTGAGE LOAN INFORMATION:** List the details of each open mortgage loan you have on your loan application. Include the lender's name, account number and current unpaid balance. If you have sold or transferred a property with a mortgage during the last twelve months, you may need to provide a copy of the Settlement Statement if your credit report doesn't show that the loan has a zero balance. If you own a property currently listed for sale or sold and now in escrow, provide a copy of the real estate listing agreement or sales contract and escrow instructions.

San Juan Mortgage Loan Processing Information Checklist

Page Two of Five

In order to qualify your income using "full-documentation" guidelines, which will allow you to get the lowest interest rate, you need to provide two years of income documentation. This includes the two most recent years' tax returns as well as current proof of income. If you prefer not to document your income, we can offer alternative solutions.

7. **REVOLVING DEBT INFORMATION:** On your application, list the names, account numbers and current unpaid balances for all credit accounts. If you have a large number of credit accounts with high balances, provide a copy of the most recent statement from each account.
8. **W-2's and PAY STUBS:** If you are a salaried or hourly employee, provide copies of your two most recent W-2's and your Two Most Recent Earnings Statement or Pay Stubs. Earnings statements can't be more than 30 days old and must reflect your current base salary, year-to-date earnings, and social security number. If any part of your regular earnings are comprised of commissions, bonuses or allowances, provide copies of your Federal Tax Returns as specified under #8 below.
9. **FEDERAL TAX RETURNS:** Provide a copy for tax years _____ and _____, and a copy of tax year _____ if it has been completed. The returns we need are:
- Individual 1040's Corporation 1120's Other

Include all pages, schedules and addendum and place an **Original Signature** on **Page Two** of your 1040 and on **Page One** of the 1120 if filed. If your tax return for the most recent tax year was extended, provide a copy of the **IRS Application for Extension**.

10. **BANK and SECURITIES ACCOUNTS:** Provide copies of your **Three Most Recent Statements** from each bank and securities account. It's not necessary to document 100% of your assets, but there is a requirement as discussed under the **Assets To Close** tab on our website. If any of your statements are quarterly, send the most recent one. If you receive a new statement while we are processing your loan, please fax a copy to us.

For qualifying purposes, we need to document enough liquid assets to cover your down-payment and 3-6 months of reserve PITI assets, depending on the loan program selected. Our automated underwriting program will specify how many assets need to be verified.

11. **CURRENT PROPERTY OWNERSHIP:** Provide a copy of the most recent **Property Tax Statement** and a copy of your most recent **Homeowner's Insurance Premium Statement** for each property that you will continue to own after this purchase is complete. This information is needed to verify and qualify your housing debt.
12. **PROOF OF INSURANCE:** Before escrow closing, you will need to provide a copy of the **Homeowner's Insurance Premium Statement** or **Declarations Page** for the property you are buying. If you like, you can ask your insurance agent to fax it to us at 360-376-5194.

San Juan Mortgage Loan Processing Information Checklist

Page Three of Five

13. **LANDLORD INFORMATION:** If you are presently renting your home or apartment, provide us with your landlord or property manager's mailing address. We need to send them a form to verify the amount of your rent, how long you have lived there, and confirm that your rents have been paid as agreed. We need this information to cover the previous 24 months. If there are any issues regarding this information, you may want to discuss them with your landlord before we send our information request.
14. **DIVORCE:** If you have been divorced, provide a copy of your complete Divorce Decree.
15. **SPOUSAL and/or CHILD SUPPORT:** If you receive **Child Support, Spousal Support**, or any other **Court Mandated Support Payments**, we need to verify that you have received the payment in a timely manner. To verify this, please provide copies (front and back) of your last twelve cancelled checks or the Court's computer printout documenting the payments. This form of income needs to be documented in order to be used in the income qualifying process.
16. **K-1s:** If you are a general or limited partner in a business or investment group in which you earn partnership distribution income, even if the partnership is a passive investment, provide copies of your two most recent **K-1s**. This is the **IRS FORM 1065 - Partner's Share of Income, Deductions, Credits, etc.** It may be necessary to request these forms from your tax preparer.
17. **1099s:** If you earn any income that is paid to you or your company using a **1099**, provide a copy of each one received for the **Two Most Recent Tax Years**. These should correspond to the tax returns you have provided. If you are paid with both W-2s and 1099s, provide copies of each.
18. **CORPORATIONS:** If you own more than 25% of any **Corporation** or similar business entity, provide copies of the **U.S. Corporation Income Tax Return** (IRS Form 1120 or 1120-A) for the two most recent fiscal tax years. If you have any questions regarding this requirement, please give us a call to discuss an alternative method.
19. **PARTNERSHIPS, JOINT VENTURES, ETC.:** If you own more than 25% of a Partnership, Joint Venture or LLC, provide copies of the tax returns from those businesses for the two most recent years as well as an **Income Statement** and **Balance Sheet**, current to within 45 days.
20. **PROFIT-AND-LOSS STATEMENT and BALANCE SHEET:** Provide a copy of these two financial documents with your live signature if you're self-employed or receive any IRS form 1099 income. They must be current to within 45 days. A sample of each type can be found on our website homepage in the HOT TOPICS section.
21. **BUSINESS LICENSE:** Provide a copy of your state or local business license. This documents your business status as being current. If your business doesn't require a license, call us to discuss the issue.

San Juan Mortgage Loan Processing Information Checklist

Page Four of Five

22. **CITIZENSHIP:** If you are NOT a U.S. citizen, provide a copy (front and back) of your Green Card and your I-797 form (Creation of Record of Lawful Permanent Residence) from the Department of Homeland Security. In order to qualify for our wholesale program, you must be a U.S. citizen or a documented Permanent Resident.
23. **SELF-EMPLOYED IN A NEW GEOGRAPHIC LOCATION:** If you have fewer than two years experience in your present business location, supported by two years' tax returns, write a letter explaining why this lack of experience will not have a negative impact on your ability to generate a regular and stable flow of business income.
24. **PENSION INCOME:** If you receive pension income or any form of retirement income and it is to be used in qualifying your income, we will need to verify it. Provide a copy of your most recent monthly pension income statement, your two most recent **W-2P** forms from the plan administrator, and a copy of your award letter that states how long you will receive the income.
25. **SOCIAL SECURITY INCOME:** Provide a copy of your most recent year-end benefit statement that specifies the amount of your current monthly benefit. Also, provide a copy of either your most recent monthly check, or bank statement if direct deposited each month.
26. **INCOME FROM RENTAL PROPERTIES OWNED:** If rental income will be used in qualifying, provide copies of **All Current Leases**. Expired leases cannot be used. If the lease will expire within 45 days, submit the signed lease renewal. In lieu of leases, we can use your two most recent **1040 Schedule E** forms.
27. **INCOME FROM THE CONTRACT SALE OF REAL ESTATE:** If you sold real estate and receive regular monthly payments, provide a copy of the **Original Sales Contract** and proof that the payments have been received in a timely manner. Copies of cancelled checks for the last twelve payments are the preferred form of documentation. If the payments have been collected by an escrow company, request that they send us a **12 Month Payment History**.
28. **NOTE RECEIVABLE INCOME:** If you loaned someone money and they are repaying you in regular monthly installments, you may be able to use the income in qualifying if the terms meet the following requirements:
- A. You have received the payments for at least the last twelve months.
 - B. The monthly payments will continue for at least the next 36 months.
 - C. The payments received can be documented as **Regular and Predictable**.

If your loan conforms to the above requirements, provide a copy of your **Original NOTE** and proof that you have received the previous twelve payments according to the terms of your **NOTE**.

San Juan Mortgage Loan Processing Information Checklist

Page Five of Five

29. **DISABILITY INCOME:** Provide a copy of your Disability Award Letter, a copy of your Most Recent Disability Check, and a letter from your physician stating that your disability is expected to continue for at least 36 months into the future.
30. **GIFTS USED TOWARD THE DOWN PAYMENT:** If any part of your down payment comes from a gift, it must be verified. The gift must come from a family member and that person must document their financial ability to make the gift. The gifter must complete our Gift Letter form and provide a copy of their most recent bank statement from which the funds were withdrawn.
31. **BANKRUPTCY:** To qualify for a conventional loan, a bankruptcy must be **Discharged for a Minimum of 24 Months**. If you have had a bankruptcy, provide a complete copy of your **Discharge Papers** and include all schedules and exhibits. Any judgements that were released in connection with the bankruptcy must be shown on your credit report. For this reason, it's important that you provide copies of all judgement releases from the Court having jurisdiction. Also, write a detailed Letter of Explanation that thoroughly explain the reasons for the bankruptcy. This letter is a crucial element in the underwriting of a new loan where a bankruptcy is involved.
32. **REFINANCE LETTER:** If the purpose of your loan is to refinance an existing mortgage, write a letter explaining your reason, such as to reduce your interest rate, remodel your home, pay for a child's college education, etc. If you would like to include the applicable closing costs in your new loan, please state so in your letter.
33. **MORTGAGE PAYMENTS:** Provide a copy of the front and back of your last 12 cancelled mortgage payment checks for loan # _____ and # _____ .
34. **NEW CONSTRUCTION:** If you are building a new home and applying for a construction loan in addition to the permanent loan, give us a call for our list of required information.
35. **ADDITIONAL INFORMATION NEEDED:**

San Juan Mortgage
P.O. Box 759
Eastsound, WA 98245
360-376-1094

AUTHORIZATION TO RELEASE INFORMATION

To Whom It May Concern:

I/We have applied to San Juan Mortgage for a mortgage loan. As part of the application process, San Juan Mortgage will verify information contained in my loan application and in other pertinent documents required in connection with the loan, either before the loan is closed or as part of their quality control program, or that of their designated investor.

I/We authorize you to provide San Juan Mortgage or to any investor to whom they may sell my mortgage, and the mortgage guaranty insurer (if any), any and all information that they request. Such information includes, but is not limited to, employment history and income, bank and similar account balances, credit history, copies of tax returns, and any other as required for my loan.

This information is to be used only for the limited purposes of obtaining information relevant to a real estate closing. No other uses of this release form are authorized under any circumstance.

A COPY OR FAX OF THIS AUTHORIZATION MAY BE ACCEPTED AS AN ORIGINAL.

Signature

Printed Name

Date

Signature

Printed Name

Date

Mortgage Loan Origination Agreement

Page One of One

You, the applicant(s), agree to enter into this Mortgage Loan Origination Agreement with San Juan Mortgage, LLC as an independent contractor to apply for a residential mortgage loan from a participating lender with which we from time to time contract upon such terms and conditions as you may request or a lender may require. You inquired into mortgage financing with San Juan Mortgage, LLC on _____. We are licensed as a "Mortgage Broker" under the provisions of Chapter 19.146 of the Revised Code of Washington known as the "Mortgage Broker Practices Act".

SECTION 1. NATURE OF RELATIONSHIP

In connection with this mortgage loan we are acting as an independent contractor and not as your agent. We will enter into separate independent contractor agreements with various lenders. While we seek to assist you in meeting your financial needs, we do not distribute the products of all lenders or investors in the market and cannot guarantee the lowest price or best terms available in the market.

SECTION 2. OUR COMPENSATION

The lenders whose loan products we distribute generally provide their loan products to us at a wholesale rate. The retail price we offer you – your interest rate, total points and fees – will include our compensation. In some cases, we may be paid all of our compensation by either you or the lender. Alternatively, we may be paid a portion of our compensation by both you and the lender. For example, in some cases, if you would rather pay a lower interest rate, you may pay higher up-front points and fees. Also, in some cases, if you would rather pay less up-front, you may be able to pay some or all of our compensation indirectly through a higher interest rate in which case we will be paid directly by the lender. We also may be paid by the lender based on (i) the value of the Mortgage Loan or related servicing rights in the market place or (ii) other services, goods or facilities performed or provided by us to the lender.

By signing below, applicant(s) acknowledge receipt of a copy of the signed Agreement.

MORTGAGE LOAN ORIGINATOR:

By: _____ TERRY L. DONOVAN _____

Signature: _____

Date: _____

Address: _____ 461 Cascade Way _____

_____ Eastsound, WA 98245 _____

APPLICANT'S SIGNATURES:

Borrower: _____

Co-Borrower: _____

Date: _____

Address: _____

Mortgage Loan Disclosure

Page One of Two

This disclosure form is designed to conform to the requirements of the Washington State Mortgage Broker Practices Act, chapter 19.146 RCW ("Act"). Pursuant to the Act, every contract between a mortgage broker and a borrower shall be in writing and shall contain the entire agreement of the parties. For your own protection, please note that verbal understandings, and documents not signed and dated by both parties, may not be enforceable under the Act.

This form contains specific disclosures required under State law. In addition, other disclosures are required under Federal law and regulation, and joint Federal/State law and regulation. The Good Faith Estimate of Settlement Charges and the Truth in Lending Disclosure Statements are disclosures required under both State and Federal law.

The Good Faith Estimate ("GFE") reflects the cost of your loan transaction based on estimates prepared in good faith by your mortgage account executive. While this disclosure details our best estimate of the costs you will likely incur, the accuracy may be limited by actual third party charges or deviations from the original lending premise. State law prohibits a mortgage broker from charging any fee that inures to the benefit of the mortgage broker if it exceeds the fee disclosed in the initial GFE, unless the need to charge the fee was not reasonably foreseeable at the time of the initial disclosure, and the mortgage broker has provided to the borrower, no less than three business days prior to the signing of the loan closing documents, a clear written explanation of the fee and the reason for charging a fee exceeding that which was previously disclosed. However, if the borrower's closing costs, excluding prepaid costs of ownership, do not exceed the total closing costs on the most recent GFE, no other disclosures are required.

The Truth in Lending Disclosure Statement ("TIL") reflects the amount financed; the finance charge; the annual percentage rate ("APR"); the total amount of all payments; and information concerning: I) a variable rate mortgage (if applicable), ii) demand features, iii) the total sale price, iv) the pre-payment charge, v) late payment charges, vi) a security interest in your property, vii) insurance premiums, and viii) the creditor's policy on loan assumption. If your loan has a variable rate, we will make additional disclosures regarding the circumstances under which the rate may increase, any limitation on the increase, the effect of an increase, and an example of the payment terms resulting from an increase.

FUNDS TO BE HELD IN TRUST

Any moneys provided by you to us for the payment of third party provider services (such as appraisals) are held in a trust account, and any moneys remaining after payment to third party providers will be refunded to you.

San Juan Mortgage, LLC has has not requested funds for payment of third parties

I/We have read and understand this disclosure of Funds Held in Trust.

Borrower's Signature

Borrower's Printed Name

Date

Co-Borrower's Signature

Co-Borrower's Printed Name

Date

Mortgage Loan Disclosure

Page Two of Two

CERTAIN REPORTS AVAILABLE

If you are unable to obtain a loan for any reason, we will, within five (5) days of a written request by you, give copies to you of any appraisal, title report, or credit report paid for by you, and transmit the original appraisal, title report, or credit report to any other mortgage broker or lender to whom you direct. **Transmission of these reports includes the rights to use these reports, although in certain cases a new appraisal may be required.**

You may send such written request to:

San Juan Mortgage P.O. Box 759 Eastsound, WA 98245

I/We have read and understand this disclosure of Certain Reports Available.

Borrower's Signature

Date

Co-Borrower's Signature

Date

RATE LOCKS and RATE LOCK DISCLOSURES

Page One of One

LOCK YOUR LOAN CAUTIOUSLY !

At a strategic time during the processing of your loan, we will “**LOCK**” your home loan interest rate according to the loan program and terms selected. The strategic timing of your rate lock should be carefully planned to take into consideration current market conditions and the length of time required to complete the processing and funding of your loan. We do not want to put you in a situation in which your interest rate was hastily “locked” and will expire before we can draw your closing documents and fund your loan.

To avoid potential problems with your rate lock, please do the following:

1. Before you sign the following **RATE LOCK DISCLOSURE** form, discuss the aspects of your loan with Terry Donovan in order to determine when your loan should be “locked”. If it appears that your loan should be “locked” as soon as possible, initial and date **LOCK OPTION # TWO** below and return it with your initial loan application package.
2. If you do not choose to “lock” your loan as soon as possible, but would rather “float” your rate until you believe a more strategic time can be selected, initial and date all three sections of the **LOCK OPTION # ONE** below.
3. **RETAIN** the two page **Rate Lock Agreement/Disclosure** form until you are ready to “lock” your loan. At that time, we will assist you in completing the **Rate Lock Agreement/Disclosure** and you can FAX your signed and dated form to us at 360-376-5194.
4. San Juan Mortgage will, as soon as possible, lock your loan’s interest rate and after the “lock” is registered with the wholesale lender, we will provide you with a copy of that form.

IMPORTANT: Refer to “**RATE LOCKS**” on our website and “**When Can I Lock My Rate**” in particular to review our rate lock policy. We can only “lock” your rate after a certain amount of loan processing work has been completed.

Rate Lock Disclosure

Page One of One

Borrower understands that quoted rates reflect the currently available lending rate only. RATES CHANGE WITHOUT NOTICE. THERE IS NO RATE GUARANTEE FOR UNLOCKED LOANS. A LOAN IS NOT LOCKED UNTIL AN AGREEMENT HAS BEEN ACHIEVED BETWEEN THE MORTGAGE BROKER AND A SPECIFIC LENDING INSTITUTION, AND THE BORROWER HAS ENTERED INTO A SIGNED LOCK AGREEMENT WITH THE MORTGAGE BROKER. A locked loan is assigned a specific expiration period within which time the borrower must not only sign the documents, but the loan must fund. The lender's decision to make a loan is based on numerous factors, many of which are outside of the mortgage broker's control. Your loan cannot be closed until it has been underwritten, approved, and properly documented. We will strive to obtain all of the required information so that a lending determination can be made, and the loan funded within the lock-in period. HOWEVER, NEITHER THE MORTGAGE BROKER NOR THE LENDER IS OBLIGATED TO MAKE A LOAN TO YOU.

AS A MORTGAGE BROKER, SAN JUAN MORTGAGE CANNOT GUARANTEE AN INTEREST RATE LOCK. Only the primary lender funding your loan can guarantee their ability to deliver any promised interest rate and they do so by issuing a COMMITMENT LETTER once your loan is approved. San Juan Mortgage has never used a wholesale lender that has failed to deliver a promised interest rate lock guarantee.

LOCK OPTION # ONE

I/We have chosen **NOT TO LOCK** our loan, and we understand that our RATE IS SUBJECT TO CHANGE without notification. If we choose to lock-in our rate subsequent to this disclosure, we will be delivered a Rate Lock Agreement/Disclosure within three (3) days of the agreement, including Saturdays, along with another copy of this disclosure.

Borrower's Signature _____ Co-Borrower's Signature _____ Date _____

LOCK OPTION # TWO

I/We have chosen **TO LOCK** our loan, and have completed a Rate Lock Agreement/Disclosure with the mortgage broker.

Borrower's Signature _____ Co-Borrower's Signature _____ Date _____

I/We understand that this rate lock agreement is guaranteed is not guaranteed by _____
name of mortgage broker and/or lender

Borrower's Signature _____ Co-Borrower's Signature _____ Date _____

If I/We have paid a fee in conjunction with this interest rate lock, the conditions for refund of such fee will be contained in the Rate Lock Agreement/Disclosure Form signed by me/us.

Borrower's Signature _____ Co-Borrower's Signature _____ Date _____

Rate Lock Agreement/Disclosure

Page Two of Two

LOCK-IN CONDITIONS

The above lock-in terms are valid until the expiration date shown above. Your loan must close and fund (disbursement of funds by the lender) by the expiration date. In the event that your loan does not fund on or before the lock expiration date, the loan must be re-locked at the "higher of" the previous lock price or current scheduled pricing using the same lock option. A re-lock is not automatic upon expiration. In some cases the loan program under which you are locked may be discontinued by the lender subsequent to expiration of the lock.

REFUND OF LOCK-IN FEE

Applicable Not Applicable

Your lock-in fee is is not refundable. If refundable, see conditions below.

Conditions for refund of the lock-in fee: _____

IMPOUND ACCOUNT SELECTION

- _____ I request that my property taxes and insurance are included in an IMPOUND ACCOUNT and paid
Initials out as part of my regular monthly principle and interest payment. **OR,**
- _____ My loan is less than 90% loan-to-value and I choose to pay the property taxes and insurance myself.
Initials

I/We understand and agree to the terms contained in this lock-in agreement. I/We have read, understand, and agree to the San Juan Mortgage "Lock Policy" posted at www.justhotrates.com under "Rate Locks".

_____ Borrower's Signature	_____ Borrower's Printed Name	_____ Date
_____ Co-Borrower's Signature	_____ Co-Borrower's Printed Name	_____ Date
_____ Authorized San Juan Mortgage Representative	_____ Terry Donovan	_____ Date

Occupancy Certification

Page One of One

I/We have applied for a home loan with San Juan Mortgage for the residential property located at:

Street Address	_____	_____	_____
	City	State	Zip Code

I/We certify that I/We will be using the property in the following manner:

Initial only ONE of the following choices

_____ The property will be used exclusively as my/our **Primary Residence**.
Initial

_____ The property will be used exclusively as my/our **Second Home**.
Initial

_____ The property will be used as my/our **Rental Property**.
Initial

Certified to be a true statement of my intentions for the use of this property,

_____ Date
Borrower's Signature

_____ Date
Co-Borrower's Signature

Applicant's Understandings and Agreements

Page One of Two

Applying for a mortgage loan can be a complicated and sometimes confusing experience. To help provide clarity to some important issues involved in this process, we have provided the following list of understandings and agreements. If you do not understand or agree with any of them, please give us a call.

1. The taking and/or approval of this loan application does not constitute a commitment or contract by San Juan Mortgage to guarantee me a mortgage loan or any associated programs, rates or terms.
2. All documents provided by the borrower or at the expense of the borrower to the mortgage broker, including any appraisals, are the property of the borrower and shall, at the borrower's request, be returned to the borrower or transferred to any person designated by the borrower without further expense to the borrower if the loan is not consummated, provided that any such document is not prohibited by law from being transferred or returned. If a loan commitment has already been obtained for the loan requested, I agree to pay a loan processing fee in the maximum amount prescribed by law prior to transfer, should I elect to transfer the loan to any person for any reason.
3. I understand that I may obtain similar services as all of those provided by San Juan Mortgage at a lower rate by shopping with other settlement service providers. That notice has been provided by this writing, that San Juan Mortgage has a business relationship with many different mortgage lenders who we represent but have no ownership or financial interest in. That further, set forth below is the estimated range of charges by San Juan Mortgage that may be charged for their settlement services:

Mortgage Broker Fee:	0.0% to 3.00% of Loan Amount
Yield-Spread-Premiums:	0.0% to 3.00% of Loan Amount
Loan Processing Fees:	0.0% to 1.00% of Loan Amount

4. If an appraisal or credit report has been ordered, any and all of the fees collected for the payment of these services are non-refundable. In the event that the initial fees collected are not sufficient to cover the payment of these costs, I agree to pay the difference. In the event that the initial fees collected exceed the amount required for the payment of these fees, San Juan Mortgage will reimburse me for the difference.
5. I understand that unless I specifically request otherwise in writing prior to my loan approval, my monthly payment amounts for property taxes and insurance will be collected by the permanent lender in an escrow impound account. These "impounds" will be collected in advance of the actual payment dates for each and will be added to my regular monthly mortgage payment. I understand that should I elect to not have these amounts impounded, there may be a charge imposed by the lender subject to applicable state and federal laws.

By my signature, I understand and agree to the aforementioned,

Borrower's Signature

Date

Co-Borrower's Signature

Date

Applicant's Understandings and Agreements

Page Two of Two

6. I understand that the decision to "lock" or "float" my interest rate, as well as the length of any rate lock, is my sole responsibility. At such time as I elect to lock in my rate, I will provide specific and verifiable instructions to San Juan Mortgage to lock a rate according to my wishes. San Juan Mortgage is not responsible for interest rate fluctuations or the timing of any rate lock.
7. The rate and terms specified in the initial Good Faith Estimate of Borrower's Settlement Costs are only estimates of the actual charges that are likely to be incurred and based on general loan parameters. They are subject to change based on my specific financing needs, the loan program and lender utilized, and changes in program guidelines and interest rates. As required by law, intermediate Good Faith Estimates and Truth in Lending Disclosures will be provided, as well as those provided at closing.
8. In their capacity as a mortgage broker, San Juan Mortgage has no control over any aspect of any closed loan. After your loan is funded and closed, you will be provided with the toll free telephone number of your lender's loan servicing department. Any questions regarding your loan should be directed to your loan servicer.
9. I understand that the selection of a credit reporting agency and appraiser will be made by San Juan Mortgage and that the selection of the escrow company and homeowners insurance company are mine.
10. Only San Juan Mortgage can order an appraisal in connection with their loan processing activities and the appraiser chosen must be listed on the selected wholesale lender's approved appraiser list. Copies of appraisals cannot be distributed to any party other than the lender without the borrower's permission. In the event that a particular service provider, such as your insurance company, requests a copy of the appraisal, you will need to e-mail or fax us an authorization to release it to them.
11. Borrower agrees to notify San Juan Mortgage of any changes that may affect their ability to obtain a loan approval, such as employment, financial or marital status, as soon as possible.
12. I/we acknowledge that we are responsible for the payment of credit report fees, appraisal fees, processing fees, and any other third party fees that are incurred on our behalf in the processing of this loan with San Juan Mortgage.

By my signature, I understand and agree to the aforementioned,

Borrower's Signature

Date

Co-Borrower's Signature

Date

IMPORTANT INFORMATION !

Page One of One

Please read the following information carefully. It will help you avoid common mistakes that people make after they have applied for new financing. These tips can save you trouble and help get your loan approved fast.

- ✓ **Do Not** apply for or incur any new debt without first notifying Terry Donovan. Undisclosed debt, whether new or existing, may affect your ability to qualify for a new mortgage.
- ✓ **Do Not** close any bank accounts or transfer any funds while your new loan is in process. If your situation makes this a necessity, please discuss it with us first.
- ✓ **Do Not** stop making your present mortgage payments if this loan is a refinance. Failure to comply with the terms of your existing mortgage can result in damage to your credit rating.
- ✓ You will receive a **Regulation "Z" Truth In Lending Disclosure** and **Good Faith Estimate of Borrower's Settlement Costs** in the mail. This disclosure form is an **ESTIMATE** of your possible settlement costs as well as the estimated costs of your financing. Please sign and return them to San Juan Mortgage.
- ✓ Be prepared to explain any derogatory credit report entries in writing. If needed, we will assist you in the preparation of your letter.
- ✓ If you are purchasing a home that will be rented, inform your tenants that your loan payment booklet may be sent to their address. Ask them to send the booklet to you immediately. Make sure they do not write "Not At This Address" or "Return To Sender" on the envelope, as it may cause confusion for your loan servicer.
- ✓ **CREDIT REPORTER CONSUMER INTERVIEW:** After your credit report is ordered, the credit reporting agency will contact you in order to verify certain elements contained in your credit report. They will verify your name, address, employment and other information pertinent to your credit file. If you are not comfortable with the questions asked, get their phone number and tell them you'll call them back. Calling them back and asking for information about their company will greatly reduce the possibility that the caller was dishonest. You can also try putting their phone number into the Google search engine for confirmation of who they are.

If you have doubts about their authenticity, call us immediately and we will discuss your questions or concerns. Identity theft is a serious problem and we believe in doing everything possible to protect the privacy of your personal financial information. Don't take any chances! Unsolicited phone calls asking for confidential information should always be questioned and the caller's true identity verified.

Returning Your Completed Loan Application Documents

Page One of One

THANKS...

Thanks for taking the time to assist us in collecting the important information that we'll need to correctly process your loan application.

Please confirm that all required signatures and dates have been affixed to your loan documents and that all requested information is included.

When you are ready to send us your application package, please use a service that can be tracked by computer, such as FedEx or UPS. Using a "Second Day" delivery service won't impact on our processing time and will save you money. Please E-mail the TRACKING NUMBER and DATE SHIPPED of your package to terrydovon@sanjuanmortgage.com so we can follow its progress.

SEND THE PACKAGE TO OUR PHYSICAL ADDRESS AT:

**TERRY DONOVAN
461 CASCADE WAY
EASTSOUND, WA
98245**