

BB&T Mortgage

Branch Banking and Trust Company
Mortgage Loan Administration
223 West Nash Street
P. O. Box 2305
Wilson, NC 27894

General Closing Instructions For Residential Home Loans

Rule of Professional Conduct - You have been chosen by our borrower(s) to close their real estate mortgage transaction. It is understood that an attorney cannot represent the buyer, the seller, and the lender in the same real estate transaction. The Closing Agent is expected to assist the lender with preparation of loan closing documents, title work and priority lien, and comply with the lender's written closing instructions. If a conflict should arise between any of the parties involved in the closing, the lender should be notified prior to the closing of the loan. By accepting a closing package, the Settlement Agent agrees to receive communications from BB&T (which may include faxes, phone calls and emails) as necessary to conduct closing and post-closing activities.

Branch Banking and Trust Company, (hereinafter referred to as Lender) has established the following General Closing Instructions for the closing of residential mortgage loans.

A Pre-funding review of the Note, Deed of Trust, Right of Rescission, Title Binder, HUD Settlement Statement, Truth-in-Lending and any applicable riders is now required. These documents should be provided at least 24 hours before Closing or your Closing may be delayed. Do NOT disburse funds until you have received full approval of these documents by your BB&T Closer. NOTE: Funding will not occur until AFTER completion of a lender review of the HUD and other loan documents as specified on page 1 of the Specific Closing Instructions. Any changes to the fees on the HUD statement must be reviewed again. Changes that are out of tolerance MAY need a re-disclosure of the TIL to the client PRIOR to closing and could delay closing. Failure to provide documents for review at least 24 hours prior to closing may result in a delay of funding. Once the HUD has been reviewed, you will receive confirmation in writing to proceed with closing.

Each loan package will be accompanied by instructions specific to that transaction. All closings are subject to the general requirements set forth herein. To the extent that the Specific Closing Instructions shall conflict with the general requirements, 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, a copy of which will be enclosed in the loan package. *If the borrower receives any credit from the seller which reduces the agreed sales price, or if the terms of the transaction differ from the terms described in the sales contract, you must notify Lender immediately prior to closing.*

The following numbered paragraphs and headings are for your convenience in locating information quickly and conveniently. However, Lender requires that you are familiar with all the information and requirements set forth herein and shall close loans in the name of Lender accordingly. If you do have a question regarding these General Closing Instructions or the Specific Closing Instructions, please call the BB&T Mortgage Loan Closing Officer that is listed on your Specific Closing Instructions immediately and we will do our best to answer your questions or resolve any problems you may have with a particular loan closing.

1. CHECKS

Checks to Lender, Other Parties - Checks to cover discount points, origination fee, prepaid items and other charges should be drawn on your Trust Account and made payable as shown in the Specific Closing Instructions. Lender will not accept a borrower's personal check for these items. **Checks payable to Lender must be returned in the closed package, NOT under separate cover.**

Pay-off Checks - Do not include payoff checks for the Lender's construction or permanent loan in the closed loan package. These checks must be mailed

in separate envelopes directly to the applicable department to avoid additional payment of interest.

Construction Permanent Loans - If money is needed at closing the Specific Instructions will reflect the name and phone number of the person disbursing the funds. See "Special Contingencies".

2. CLOSING, RECORDING AND DISBURSEMENT PROCEDURES

When Lender transmits closing instructions to you as an approved closing agent, Lender will require that you handle the closing of a first mortgage at no expense to Lender. **We further require that the loan be closed, recorded and disbursed on the same day** except when a customer has a right to rescind the transaction or if closing takes place late in the afternoon. Most loans will be funded by wire on the date of disbursement. You are responsible for requesting the wire by faxing or e-mailing your wiring instructions to the closer indicated on our instructions with the documents for Lender review. Please list the borrower's name, loan number and disbursal date on your instructions. ***Do not disburse loan proceeds until the security instrument has been presented for filing on the public record and you are in a position to guarantee Lender an insured first mortgage lien.*** Closed loan packages must be sent to the Lender no later than the day following loan closing or disbursement, whichever is later. The package should be returned by certified mail, express mail, or any other carrier of your choice that can be traceable in case of loss. The address to which the package should be returned will be shown in the Specific Closing Instructions. ***Failure to deliver the closed loan package on a timely basis may result in Lender's inability to meet an Investor's delivery deadline, requiring your financial reimbursement to Lender for any expenses or penalties.***

Title must be held by natural persons. Any exceptions must be approved in writing by Mortgage Loan Closing prior to closing.

3. CLOSING BY MAIL

As a general rule, Lender will not permit a closing to be conducted through the mail because of the risks of numerous errors and delays. If you feel strongly that there is no other reasonable alternative, you must contact Lender for express permission prior to mailing documents to the borrower.

4. COMPLETION OF DOCUMENTS

Lender may complete all or parts of the closing documents transmitted with the Specific Closing Instructions. ***Please complete the forms where we have not done so. We rely on you to see that each form is fully and correctly completed, including but***

not limited to DATING forms as needed and fully completing the Right of Rescission, Note, Security Instrument, and any Riders. If you find that Lender has provided incorrect information, please notify Lender promptly, and we will provide corrected documents or authorize you to complete a new document.

A Pre-funding review of the Note, Deed of Trust, Right of Rescission, Title Binder, HUD Settlement Statement and any applicable riders is now required. These documents should be provided at least 24 hours before Closing or your Closing may be delayed. Once the HUD has been reviewed, you will receive confirmation in writing to proceed with closing.

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), the closing 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 your state, 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 of these loans must be marketable in the secondary mortgage market.

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

Copies of all loan documents **must be** given to the borrower. The closed loan package must consist of the original and required number of copies of each document as requested in the Specific Closing Instructions. **We strongly recommend that the closing agent also retain copies of loan documents**

for reference in case of questions or 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. (See "SURVEY" and "TITLE INSURANCE".) An ALTA 9 is required on any policy which contains exceptions to easements.

9. EQUAL OPPORTUNITY ACT (ECOA)

ECOA provides that a lender may not require a spouse to obligate her/himself to repay the debt of a borrower; it 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. Closing agents must ensure that all necessary signatures are obtained.

10. ESCROWS

Taxes, Insurance - The initial escrow deposits must be computed on the basis of actual insurance premiums, tax valuations, and rates. The closing agent must take into consideration expected increases in valuations and rates for any tax payments to be made in the 12 months beginning with the 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 the borrower's first payment, the monthly escrow deposits should be based on 100% completion (The appraised value on page 1 of the Specific Closing instructions should be used for calculations). Exact information will be faxed to you when the completed "Request for Aggregate Escrow Figures" is received from your office. This information is on the lower portion of our "**Closing Agent Certification**" form. **Due dates shown for taxes should be the date the tax notices are available, not the tax penalty date.** The exact escrow information faxed to you will be on page two of a HUD-1 Settlement Statement. The second page of the HUD-1 Settlement Statement will indicate the amount of escrow deposits which should be collected and the aggregate adjustment that must

be given. **The escrow section of the actual HUD-1 Settlement Statement, signed by the borrower(s), must reflect the information provided by the Lender.**

Escrow for Completion of Improvements - You must obtain prior approval from Lender in order to escrow funds necessary for completion of improvements. If approved, an escrow agreement provided by BB&T must be executed by all affected parties and included in the closed loan package. The escrow funds will be held by the closing agent. Once the improvements have been completed, the Loan Officer/Processor will contact the closing agent and the funds can be released.

11. FLOOD INSURANCE

Federal flood legislation states that a lender must require flood insurance on properties located in Special Flood Hazard Areas once such areas have been identified and coverage is available through community participation in the program. The legislation further states that lenders may not make federally-related loans on properties in Special Flood Hazard Areas if the community does not qualify for participation in the program within a specified period of time after flood areas are identified. Our compliance with this legislation is mandatory. We obtain a Federal Emergency Management Agency Standard Flood Hazard Determination form on all properties that we finance. *If Lender indicates that the property is a special flood hazard area, 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 a Special Flood Hazard Area (zone A or V), Lender will require a copy of the application for flood insurance and the paid receipt for the first year's premium. The effective date of the flood policy must be prior to, or the same as the loan closing date. Where flood insurance is required, names, address of property and loss payable clause should be the same as the hazard insurance policy. Flood insurance should be in the form of the standard policy issued by members of the National Flood Insurers Association. .

- If **flood insurance** is required, the coverage amount must be the same as the hazard insurance coverage or the maximum amount available from the NFIP.

However, unless stated as a special contingency in the Specific Closing Instructions, coverage need not

exceed the maximum insurance available 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. The closing 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 closing agent is unable to do this, **do not close the loan**. Call Lender for assistance.

If flood insurance cannot be obtained through the National Flood Insurance Program, it is possible in some cases to get coverage from private companies (WYO companies). If this situation should arise, call Lender prior to closing.

12. HAZARD INSURANCE

Evidence of Insurance - The property secured by a mortgage from Lender must maintain evidence of all required insurance coverages in one of the following forms:

- A signed original policy and applicable endorsements
- A copy of the signed original policy and applicable endorsements
- A signed certificate, evidence or declarations of insurance or binder showing at least the following information:
 1. Name insured and mortgagee
 2. Property address
 3. Type, amount and effective dates of coverage
 4. Deductible amount and coverage to which each such deductible applies
 5. Any endorsement or optional coverage obtained and made part of the original policy
 6. Insurer's agreement to provide at least 10 days' notice to the mortgagee before any reduction in coverage or cancellation of the policy
- The ACORD27, Evidence of Property Insurance form is unacceptable as proof of insurance.

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

Licensing of Insurer - All insurers and reinsurers must be licensed, or otherwise authorized by law, to conduct business in the jurisdictions where the mortgaged premises are located.

Assessments - Insurance contracts must provide that no assessment may be made against the 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 an insurance company whose current rating meets the requirements below:

- For a company rated by A.M. **Best** Company
 - A minimum Financial Performance Index of 6 as reported in *Insurance Reports - Property/Casualty or Key Rating Guide - Property/Casualty*; or
 - A minimum rating of B/III as reported in *Insurance Reports - Property/Casualty or Key Rating Guide - Property/Casualty*; or
 - A minimum rating of A/VIII as reported in *Insurance Reports - International*
- For a company rated by **DEMOTEC**, INC., a minimum rating of A as reported in *FirstRate/P&C Financial Stability Ratings*
- For a company rated by **Standard & Poor's** Corporation
 - A rating of BBBq as reported in *Insurer Solvency Review - Property/Casualty Edition*; or
 - A minimum rating of BBB as reported in *Insurer Solvency Review - Property/Casualty Edition*; or
 - A minimum rating of AAisi as reported in *International Confidential Rating Service or International Solvency Reports Service*

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

Loans Closed for Branch Banking and Trust Company:

Branch Banking and Trust Company
Its Successors and/or Assigns, ATIMA
PO Box 7933
Springfield, OH 45501-7933

Loans Closed for Virginia Housing Development Authority:

Virginia Housing Development Authority
C/o VHDA Central Servicing
PO Box 4628
Richmond, VA 23220-8628

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. *We will accept hazard insurance policies that limit or exclude from coverage (in whole or in part). IF windstorm, hurricane, hail damages, or any other perils that are included under an extended coverage endorsement, are excluded (in whole or in part) we must have a separate wind insurance policy that covers these exceptions.* The insurance limits must at least equal the **higher** of

- The unpaid balance of the mortgage up to 100 percent of the replacement cost of the insurable improvements
- 80 percent of the full replacement cost of the insurable improvements

Deductibles may not exceed the higher of

- 5% of the limit maintained for dwelling coverage for all losses due to fire, water (not caused by flooding) or wind damage.

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 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
- Increased 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 percent 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 the lower of \$1,000 or 1 percent of the unit’s insurable value. 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 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 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 coverages required of PUD homeowners associations are also required of condominium owners associations where applicable and available. Deductibles may not exceed 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
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 coverages 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 - Fidelity insurance is required for all Class I, II and III Condominium Projects that consist of more than 20 units. Lender will accept coverage that meets the states’s statutory fidelity insurance requirements.

13. HOUSING AUTHORITY

LOANS

Housing Authorities have been established in a number of states to purchase low interest rate loans to persons meeting certain criteria. Because of the low interest yield and limited time in which we have to deliver the loans to the Authority, it is mandatory that these loans be closed accurately as they cannot generally be sold elsewhere without substantial loss. Unlike other loans, these cases may not qualify if borrowers' incomes exceed a certain amount or if the composition of the household changes between the time of filing application and loan closing. If the closing agent has reason to believe any such change in income or household composition has occurred since borrower filed application for the loan, he should reveal these facts to us prior to closing so that we may determine if the loan will be eligible for delivery to the Authority. (As an example, a single applicant may apply for a loan and, prior to closing; marry a person with income in an amount that could make the loan ineligible for delivery to the Authority).

14. HUD-1 SETTLEMENT STATEMENT

This form is required under the Real Estate Settlement Procedures Act (RESPA) and Regulation X. **You are instructed to complete the HUD-1 Settlement Statement in accordance with the provisions of RESPA and Regulation X.**

All charges in connection with closing, including prepaid items and closing costs, must be included in the Loan Settlement Statement and the statement 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

ALL SERVICE PROVIDERS MUST BE SHOWN ON PAGE TWO OF THE HUD-1, INCLUDING POC SERVICE PROVIDERS.

(Service provider names known to the Lender are shown on a sample HUD-1, page 2, provided with 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 borrowers to refinance their loans 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 an "equity takeout" or to derive cash proceeds for any reason. Please refer to the Specific Closing Instructions or call Lender prior to closing if you find that 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, 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). In either event, the closing agent will be required to remit a check for the premium from the closing proceeds. Some FHA loans also require that a sum is included in the initial escrow deposits and borrower will be required to include the premium with his monthly payments (periodic MIP). HUD charges a late fee if the one-time MIP is not received by them within a 15 day period following closing. ***The closing agent is required to submit the closed loan package along with all fees 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, the closing 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. Except for discount points, these fees may also be used to meet the homebuyer's minimum investment requirement. Due to existing requirements, **mortgagors cannot pay:**

- Tax Service Fee

- Normal Seller Expenses
- Origination fee greater than 1%

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 of the borrower(s), 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 Settlement Statement.

VA Loans - On the majority of VA loans, a VA funding fee will be required. The closing agent will be required to remit a check for the funding fee back to BB&T.

VA charges a late fee if the funding fee is not received by VA within a 15-day period following closing. **The closing agent is required to submit the closed loan package along with all fees 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 closing 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
- Recording fees for mortgage release, mortgage assignment
- 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
- Termite Inspection (unless a refinance)

15. INTERNAL REVENUE SERVICE (IRS) REQUIREMENTS

The Tax Reform Act of 1986 requires that the gross proceeds from real estate transactions be reported to the IRS on Form 1099-B. The closing agent, as the party who is primarily responsible for closing the transaction, must comply with all IRS regulations concerning this reporting requirement. Lender is specifically **NOT** responsible for closing any residential mortgage loans and hereby disclaims any and all responsibility for preparing or filing Form 1099-B.

16. MANUFACTURED HOUSING

The land and improvements must be real estate under applicable law and the Mortgage 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 lien of the Mortgage 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 Mortgage 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 against any loss if the Manufactured Home is determined not to be part of the real property.

ALTA 7.1 Title Endorsement is required.

The Certificate of Title must be cancelled prior to loan closing.

17. NAME AFFIDAVITS

From time to time variations in the borrower(s) name(s) will occur. If any such variations exist a completed name affidavit must be executed by the borrower(s). A name affidavit section is incorporated into Lender's *Borrower Certification*, which is a form included in your loan closing package. Names and signatures in the Note and Security Instrument must be uniform in all instances. The closing agent should review all loan closing documents to determine there are no name variances.

18. 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/VA Firm Commitment 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 to:

Branch Banking and Trust Company
223 West Nash Street
Wilson, NC 27893

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 Firm Commitment, Form 92900-4. The FHA Case Number and BB&T 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 all borrowers.

Named Borrowers - Lender is extending credit to those listed in our Specific Closing Instructions as "Borrower(s)", and only those so designated shall sign the Note.

Initial Monthly Payment Due Date - **On all loans, the first payment 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 of funds is any time in the month of June (except the 1st day of June), the first payment due date will be August 1st. Exception: If the loan disburses on the first**

day of the month, collect no interim interest and the first due date will be the first of the following month. For example, if disbursement of funds occurs on the first day of June, the first payment due date will be July 1st.

19. PUDS AND CONDOMINIUMS:

Fee simple title to the common areas must be vested in the name of the Owners Association and not subject to any liens, including tax liens, statutory liens for labor or materials arising from an improvement on 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, PUDS: ALTA Endorsement Form #5.

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.

20. POWER OF ATTORNEY

No loan should close with Power of Attorney unless Lender gives prior approval. If Lender approves the use of a Power of Attorney, the following minimum requirement (plus any additional requirements necessary to satisfy Investors, FHA or VA) must be met:

- Power of Attorney form should be durable and grant the authority to endorse checks, purchase property, execute a note, and encumber real estate, preferably naming specific property. On a VA loan, if the veteran is granting authority, it must give

the power to use the veteran's VA entitlement.

- Power of Attorney must be recorded prior to recording the Security Instrument and a copy of the form with recorder's receipt must be forwarded with the closing documents.
- Power of Attorney must be Specific or Limited Power of Attorney and include the Lender's name, Loan amount, and Property Address.
- Closing Agent must provide evidence that borrower was alive as of date of closing. Example: On a VA loan, if veteran is in Service, a letter from his commanding officer or telegram or letter from veteran dated on closing date confirming veteran is alive. We suggest that the Red Cross is often the fastest means of obtaining such verification if the absent borrower is out of the country.
- All closing documents should be signed by Attorney-in-Fact in their own handwriting. Attorney-in-Fact should sign name of principal followed by signature of Attorney-in-Fact and so specify capacity.
- It is the closing agent's responsibility to ensure that the POA also meets state and/or local laws.

21. REFINANCE

When required in the Specific Closing Instructions, it is the responsibility of the Closing Agent to furnish Lender with proof that 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 a certification by the Closing Agent that said debts have been paid.

In some cases it may be possible to use an existing survey or other documentation satisfactory to the title company on a refinance. (See "SURVEY")

PLEASE CONTACT THE TITLE INSURANCE PROVIDER TO DETERMINE THE BORROWERS ELIGIBILITY, IF ANY, FOR REDUCTION IN TITLE PREMIUM CHARGES BASED ON PRIOR TITLE COVERAGE OF THE SECURED PROPERTY ("RE-ISSUE CREDIT")

22. 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 those situations 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 pay out a BB&T mortgage 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. You should receive the "Notice of the Right-to-Cancel" form in your closing package when applicable. If there is any question as to whether the loan is subject to rescission call BB&T Closing for clarification prior to closing. **DO NOT CLOSE THE LOAN without giving the Notice when applicable. You will need to complete the dates and follow the instructions stated on the form for review prior to closing. 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.**

23. 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 you find that secondary financing is intended, do not close the loan. Call Lender for further instructions.**

24. SECURITY INSTRUMENT

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

Mortgagee - Security should be pledged to:
Branch Banking and Trust Company
223 West Nash Street
Wilson, NC 27893

Trustees - In states requiring a trustee to be named in the Security Instrument, the trustee must be properly identified. Note our Specific Closing Instructions for the name of the trustee.

Conformity in Execution - The legal description, loan amounts, signatures, installment, interest rates, and date of execution all must conform to the documentation with reference to the specific loan.

Recordable Acknowledgement - The Security Instrument must be duly notarized or acknowledged as required by law in the jurisdiction in which the security property is located so that the original instrument can be properly recorded at the time and place required to create or perfect a valid first lien in favor of Lender.

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), or homestead. It is the responsibility of the closing agent to determine and obtain all signatures necessary to waive homestead rights and secure Lender's first lien position in the security property. Based on information given by the borrower(s), Lender believes the person(s) named in the Specific Closing Instructions as "Mortgagor(s)" are required to sign the Security Instrument. Lender has prepared the documents accordingly. If your title search indicates that Lender has incorrect or incomplete information regarding mortgagors, please advise Lender prior to closing.

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.

25. SIGNING WITH MARK

If it should be necessary for borrower to sign with a mark, the signatures of two witnesses

(with names of witnesses typed under their signatures) will be required.

26. SURVEY

Survey acceptable to the title company is required. There must be no exceptions as to matters of survey on the Final Title Policy.

- **If a current survey is not obtained, please be sure that the borrower(s) is informed that neither the Lender nor the title company can be held responsible 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 (non-inclusive):

- 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% on the front lot line and 5% 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, approved community or public.
- Any other exceptions such as rights-of-way, water courses, etc. to be shown as exceptions on the title insurance policy.

The 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 now give Lenders full survey coverage even without an existing survey. The borrower(s), however, have no coverage over matters of survey. In this case, Lender would prefer the borrower obtain a survey for their own protection. Any exception

must be approved by Lender. If approved, borrower(s) must sign a statement acknowledging they are aware of the risk of not obtaining a survey and hold Lender harmless.

27. TAXES

All payments of real property taxes, special or supplemental assessments, must be current prior to closing the loan. **All tax billing information available at closing must be collected and paid by the attorney. THIS PROVISION APPLIES TO BOTH ESCROWED AND NON-ESCROWED LOANS. If the attorney is unable to pay, the amount due should be included in the closed package sent to BB&T.** Any exception in the title insurance policy regarding taxes, special or supplemental assessments, is acceptable only if “not yet due and payable” is stated in the title policy. 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).

28. TAX INFORMATION SHEET

The Tax Information Sheet requires the following information (non-inclusive):

- **Permanent Tax Office Identifying Number** (Tax Code, TMS number, parcel or identifying number).
- Tax map, lot, and block must be shown exactly as listed on tax records.
- Property Address must be indicated.
- Sanitary district is to be listed only if assessment is to be paid from escrow.
- County and City taxing authorities must always be shown even though city taxes may not be applicable.
- Tax bills are obtained from information on this sheet. All information must be completed in full.
- **Estimated amount of tax bill and property value must be shown for current and following years. This is very important if the property is to be taxed for current year as a lot only.**
- Tax sheet must be signed by closing agent certifying due date and the date through which taxes have been paid.

29. TERMITE/INSECT INSPECTION

A Soil Treatment Guaranty is required on new construction. If a Wood Destroying Insect Information Report (Termite Report) is required, it is the closing agent’s responsibility to determine that the report is completed properly and will be acceptable in all respects to VA, FHA, or the investor for the particular loan

being closed. Borrower(s) must sign the report accepting and acknowledging receipt of the Termite Report. The form must be completed in detail and signed by the exterminator. 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 Structural Report shows only cosmetic damage, the loan may then close. If the Structural Report shows any structural damage, that 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 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 repaired prior to closing. The cause of the water damage (for instance, a water leak, faulty gutters) must also be repaired prior to closing to prevent further damage.

The closing agent should contact the Lender if there is any question concerning damage or infestation.

30. TITLE INSURANCE

Owner’s Title Insurance – The Closing Agent should advise client of potential benefits of owner’s title insurance; however, Lender does not require owner’s insurance as a condition of the loan.

It is the responsibility of the closing agent to determine prior to closing that the title policy requirements set forth below can be met. Failure to meet these requirements may render the loan unsaleable. **If the title policy can not be issued in accordance with these requirements DO NOT CLOSE THE LOAN.** Call Lender 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.

Format/Evidence of Insurance - Lender will accept only the American Land Title Association (ALTA) Loan Policy - 2006 with the ALTA Form 8.1, Environmental Protection Lien Endorsement included.

Issuing Company - As of January 1, 2006, each title insurance policy for a first mortgage that is closed for us must be written by a title insurance company that had at least one of the following ratings at the time the mortgage was closed:

- a Financial Stability Rating of “S” (Strong) or better or a “Statutory Accounting Rating” of “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.

Effective Date/Effective Period - The effective date of the title insurance policy may be no earlier than the later of the date of final disbursement of loan proceeds or the date of mortgage recordation. The policy shall be in effect during the entire life of the loan. **This includes our Construction/Permanent loan. The Modification Agreement executed when the house is completed is not recorded and therefore title insurance is not updated at that time. The closing agent must order a 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. Our branch office will have this exception deleted after the foundation of the new house has been completed. Lender does require 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:

- **Conventional loans:** “Branch Banking and Trust Company, its Successors and/or Assigns.”
- **FHA Loans:** “Branch Banking and Trust Company, and/or Secretary of Housing and Urban Development, their Successors and/or Assigns.”

- **VA loans:** “Branch Banking and Trust Company, and/or Administrator of Veteran Affairs, their Successors and/or Assigns.”
- **S.C. State Housing Finance loans:** “South Carolina State Housing Finance and Development Authority, its Successors and/or Assigns.”
- **Virginia Housing Development Authority (VHDA) loans:** “Virginia Housing Development Authority, its Successors and/or Assigns.”

Amount of Insurance - The amount of title insurance coverage must at least equal the original principal amount of the mortgage. 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. Closing agent should request a final title policy immediately after recording the Security Instrument and forward final title policy to Lender. The final certificate should not be delayed pending receipt of “satisfied” papers from a holder of a prior mortgage. The title insurance company will normally issue the title policy without exception if the closing agent furnishes evidence of payment in full from the previous mortgage holder. **Any delay in receiving the mortgagee title insurance policy subsequent to closing can cause failure to meet delivery dates to investors and costly penalties.** Lender does accept title insurance in the form of a “Certificate of Title Insurance” or a “Short-Form Title Policy” under our 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:

- Environmental Lien Protection (all loans) - ALTA 8.1 endorsement.
- PUD units - ALTA 5 endorsement.
- Condominium - ALTA 4 endorsement.
- Adjustable Rate Mortgages - ALTA 6 endorsement.
- Negative Amortization - ALTA 6.2 endorsement.
- Leasehold Estate - ALTA Leasehold policy.
- Manufactured Housing Unit - ALTA 7.1 endorsement.

- Restrictive Covenants/Easement/Mineral Rights (all loans) - ALTA 9 endorsement.
- **Virginia Construction or Construction Permanent Loans Only:** The Lender requires affirmative coverage on any exception taken to mechanic or material men 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 you to obtain a title policy endorsement and/or the recording of an assignment of mortgage to a permanent investor. It is important that these instruments be processed and returned immediately after receipt of Lender's request.

Certification - An individual closing 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 that extend 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 states are 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, as long as such rights do not include the right of first refusal to purchase the property. No right of parties in possession (including the term of a tenant's lease) may have a duration of more than two years. 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;

31. TRUTH-IN-LENDING

All closings (except closings on investment property) are subject to compliance with the Federal Truth-in-Lending Act (TILA) and Regulation Z. Closing agents are expected to be familiar with TILA and Regulation Z.

Except in the case of investment property, a final TILA disclosure is sent to the closing agent with the Specific Closing Instructions and other required documents (closing package). *The closing agent must have the borrowers sign two copies of the final TILA disclosure prior to the execution of any other documents, and must return one signed copy to BB&T with the closing documents.* An original must be given to the borrowers. The TILA disclosure must not be altered or used in preparation of other closing documents. The final TILA disclosure must be signed and returned as described in this paragraph *regardless* of the fact that BB&T has delivered other required TILA disclosures directly to the borrower prior to closing.

If a fee amount (other than interim interest) or the party responsible for payment of all or part of a fee changes from our instructions, you MUST contact our Closing Department for further instructions. It may be necessary for us to prepare an updated TILA Disclosure and for the loan closing to be delayed in compliance with Federal Truth-in-Lending Act requirements.

For applications received by BB&T on or after July 30, 2009, BB&T will have delivered an initial TILA Disclosure to the borrower at least seven business days prior to closing, and will

have delivered any required re-disclosures of out-of-tolerance APR changes to the borrower at least three business days prior to closing (allowing an additional three business days for delivery if sent by US Mail or courier). *The Specific Closing Instructions will state the earliest date the loan may close, based on when initial TILA disclosures and any re-disclosures of the APR were delivered to the borrower by BB&T. The loan must not close earlier than the stated date.*

32. WARRANTY OF 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.

33. CONSTRUCTION OR CONSTRUCTION PERMANENT LOANS

Construction Loan Agreement - will be required on all construction or construction permanent loans. This agreement contains special conditions applicable to the construction phase of the loan. The borrower should 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. If the loan will have an escrow account, the escrow account will be established when the loan modifies to a permanent loan. Interest will be billed to the borrower each month based on the construction draws taken.

Flood Insurance - if the "Special Contingencies", in the Specific Instructions, indicated flood insurance is required. It must be obtained at closing.

Title Insurance - The Lender will accept an exception as to matters of survey. Our branch will obtain an endorsement from the title company when the foundation survey has been completed.

BB&T

Best Bank in Town

