

Southwest Airlines Federal Credit Union Texas Home Improvement Loan

Required Documents



Thank you for your inquiry about our home improvement loans. Please provide the following documents to expedite your home improvement request:

- Enclosed forms for completion in this packet:
 - Second Mortgage or Home Improvement Loan Application signed by all owners/spouses
 - Texas Disclosure Statement Required for Residential Construction Contract (Form A)
 - Borrower's Acknowledgement of Application Terms (Form B)
- Deed of Trust
- Homeowners Insurance Policy
- Flood Insurance Policy (if applicable)
- 30 days of current pay stub(s)
- Previous year W-2
- Description of improvements
- Name, address and phone of contractor (copies of job estimates or bids)
- Tax Valuation Statement
- First mortgage information, including phone number and account number

Texas law requires a five-day waiting period from the date we receive your completed application before we can close your loan. You should have received a copy of the Contractor's Disclosure Statement and List of Subcontractors and Suppliers from your contractor. The home improvement contract is executed at the loan closing with your contractor present. You should submit bids and estimates with your loan package supporting the nature and costs of the home improvements planned.

A complete application will expedite your request. After your closing, federal law requires a three-business day right of rescission before your funds may be released. Expect to receive your closing funds approximately three weeks after you have submitted your completed application. Closing costs vary depending on the loan amount. Costs may be rolled into the loan, provided the loan does not exceed 90% of the home's market value. Typical closing costs are as follows:

Attorney document preparation	\$175.00
Flood zone determination	\$15.00
Recording fees	\$108.00
Title search	\$75.00
Appraisal, if required*	\$350.00

*If required, must be paid by member upon order.

Please contact your loan representative if you have questions about the application or any of the required documents.

Sincerely,
Mortgage Specialist

Form A

Property Description: _____

Owner/Borrower: _____

Contractor: _____

Lender: Southwest Airlines Federal Credit Union

DISCLOSURE STATEMENT REQUIRED FOR RESIDENTIAL CONSTRUCTION CONTRACT

"KNOW YOUR RIGHTS AND RESPONSIBILITIES UNDER THE LAW. You are about to enter into a transaction to build a new home or remodel existing residential property. Texas law requires your contractor to provide you with this broad overview of some of your rights, responsibilities, and risks in this transaction.

"CONVEYANCE TO CONTRACTOR NOT REQUIRED. Your contractor may not require you to convey your real property to your contractor as a condition to the agreement for the construction of improvements on your property.

"KNOW YOUR CONTRACTOR. Before you enter into your agreement for the construction of improvements to your real property, make sure that you have investigated your contractor. Obtain and verify references from other people who have used the contractor for the type and size of construction project on your property.

"GET IT IN WRITING. Make sure that you have a written agreement with your contractor that includes: (1) a description of the work the contractor is to perform; (2) the required or estimated time for completion of the work; (3) the cost of the work or how the cost will be determined; and (4) the procedure and method of payment, including provisions for statutory retainage and conditions for final payment. If your contractor made a promise, warranty, or representation to you concerning the work the contractor is to perform, make sure that promise, warranty, or representation is specified in the written agreement. An oral promise that is not included in the written agreement may not be enforceable under Texas law.

"READ BEFORE YOU SIGN. Do not sign any document before you have read and understood it. NEVER SIGN A DOCUMENT THAT INCLUDES AN UNTRUE STATEMENT. Take your time in reviewing documents. If you borrow money from a lender to pay for the improvements, you are entitled to have the loan closing documents furnished to you for review at least one business day before the closing. Do not waive this requirement unless a bona fide emergency or another good cause exists, and make sure you understand the documents before you sign them. If you fail to comply with the terms of the documents, you could lose your property. You are entitled to have your own attorney review any documents. If you have any question about the meaning of a document, consult an attorney.

"GET A LIST OF SUBCONTRACTORS AND SUPPLIERS. Before construction commences, your contractor is required to provide you with a list of the subcontractors and suppliers the contractor intends to use on your project. Your contractor is required to supply updated information on any

subcontractors and suppliers added after the list is provided. Your contractor is not required to supply this information if you sign a written waiver of your rights to receive this information

"MONITOR THE WORK. Lenders and governmental authorities may inspect the work in progress from time to time for their own purposes. These inspections are not intended as quality control inspections. Quality control is a matter for you and your contractor. To ensure that your home is being constructed in accordance with your wishes and specifications, you should inspect the work yourself or have your own independent inspector review the work in progress.

"MONITOR PAYMENTS. If you use a lender, your lender is required to provide you with a periodic statement showing the money disbursed by the lender from the proceeds of your loan. Each time your contractor requests payment from you or your Lender for work performed, your contractor is also required to furnish you with a disbursement statement that lists the names and addresses of each subcontractor or supplier that the contractor intends to pay from the requested funds. Review these statements and make sure that the money is being properly disbursed.

"CLAIMS BY SUBCONTRACTORS AND SUPPLIERS. Under Texas law, if a subcontractor or supplier who furnishes labor or materials for the construction of improvements on your property is not paid, you may become liable and your property may be subject to a lien for the unpaid amount, even if you have not contracted directly with the subcontractor or supplier. To avoid liability, you should take the following actions:

- (1) If you receive a written notice from a subcontractor or supplier, you should withhold payment from your contractor for the amount of the claim stated in the notice until the dispute between your contractor and the subcontractor or supplier is resolved. If your lender is disbursing money directly to your contractor, you should immediately provide a copy of the notice to your lender and instruct the lender to withhold payment in the amount of the claim stated in the notice. If you continue to pay the contractor after receiving the written notice without withholding the amount of the claim, you may be liable and your property may be subject to a lien for the amount you failed to withhold.
- (2) During construction and for 30 days after final completion, termination or abandonment of the contract by the contractor, you should withhold or cause your lender to withhold 10 percent of the amount of payments made for the work performed by your contractor. This is sometimes referred to as 'statutory retainage.' If you fail to withhold the 10 percent for at least 30 days after final completion, termination, or abandonment of the contract by the contractor and if a valid claim is timely made by a claimant, and your contractor fails to pay the claim, you may be personally liable and your property may be subject to a lien up to the amount that you failed to withhold.

"If a claim is not paid within a certain time period, the claimant is required to file a mechanic's lien affidavit in the real property records in the county where the property is located. A mechanic's lien affidavit is not a lien on your property, but the filing of the affidavit could result in a court imposing a lien on your property if the claimant is successful in litigation to enforce the lien claim.

"SOME CLAIMS MAY NOT BE VALID. When you receive a written notice of a claim or when a mechanic's lien affidavit is filed on your property, you should know your legal rights and responsibilities and regarding the claim. Not all claims are valid. A notice of a claim by a

subcontractor or supplier is required to be sent, and the mechanic's lien affidavit is required to be filed, within strict time periods. The notice and the affidavit must contain certain information. All claimants may not fully comply with the legal requirements to collect on a claim. If you have paid the contractor in full before receiving a notice of a claim and have fully complied with the law regarding statutory retainage, you may not be liable for the claim. Accordingly, you should consult your attorney when you receive a written notice of a claim to determine the true extent of your liability or potential liability for that claim.

"OBTAIN A LIEN RELEASE AND A BILLS-PAID AFFIDAVIT. When you receive a notice of claim, do not release withheld funds without obtaining a signed and notarized release of lien and claim from the claimant. You can also reduce the risk of having a claim filed by a subcontractor or supplier by requiring as a condition of each payment made by you or your lender that your contractor furnish you with an affidavit stating that all bills have been paid. Under Texas law, on final completion of the work and before final payment, the contractor is required to furnish you with an affidavit stating that all bills have been paid. If the contractor discloses any unpaid bill in the affidavit, you should withhold payment in the amount of the unpaid bill until you receive a waiver of the lien or release from that subcontractor or supplier.

"OBTAIN TITLE INSURANCE PROTECTION. You may be able to obtain a title insurance policy to insure that the title to your property and the existing improvements on your property are free from liens claimed by subcontractors and suppliers. If your policy is issued before the improvements are completed and covers the value of the improvements to be completed, you should obtain, on the completion of the improvements and as a condition of your final payment, a 'completion of improvements' policy endorsement. This endorsement will protect your property from liens claimed by subcontractors and suppliers that may arise from the date the original title policy is issued to the date of the endorsement."

THIS IS TO VERIFY THAT I(WE) HAVE ALSO RECEIVED A COPY OF THE CONTRACTOR'S DISCLOSURE STATEMENT.

THIS IS ALSO TO VERIFY THAT I (WE) HAVE RECEIVED A COPY OF THE LIST OF SUBCONTRACTORS AND SUPPLIERS FROM THE CONTRACTOR, OR HAVE EXECUTED A WAIVER OF THE LIST OF SUBCONTRACTORS AND SUPPLIERS

ACKNOWLEDGMENT OF APPLICANT

I/We have read this Residential Construction Contract Disclosure Statement, and understand its contents, as evidenced by my/our signature(s) below.

DATE

Form B

Southwest Airlines Federal Credit Union Borrower's Acknowledgement Of Application Terms

EQUAL CREDIT OPPORTUNITY ACT

The federal Equal Credit Opportunity Act prohibits creditors from discriminating against credit applicants on the basis of race, color, religion, national origin, sex, marital status, age (provided that the applicant has the capacity to enter into a binding contract); because all or part of the applicant's income derives from any public assistance program, or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act. Income which you receive as alimony, child support or separate maintenance need not be disclosed to this creditor unless you choose to rely on such sources to qualify for the loan. Income from these and other sources, including part-time or temporary employment, will not be discounted by this lender because of your sex or marital status. However, we will consider very carefully the stability and probable continuity of any income you disclose to us. The Federal Agency that administers compliance with this law concerning this creditor is:

NCUA
4807 Spicewood Springs Rd Suite 5200
Austin, TX 78759

To assist federal agencies charged with enforcing compliance with the Federal Equal Credit Opportunity Act, our company is required to ask applicants certain questions concerning race/national origin, sex, marital status and age. You are free to choose to answer or not answer these questions. Your decision will in no way affect the approval or disapproval of your application.

FAIR CREDIT REPORTING ACT

An investigation will be made as to the credit standing of all individuals seeking credit in this application. The nature and scope of any investigation will be furnished to you upon written request made within a reasonable period of time. In the event of denied credit due to an unfavorable consumer report, you will be advised of the identity of the Consumer Reporting Agency making such report and of right to request within sixty (60) days the reason for the adverse action, pursuant to provisions of section 615(b) of the Fair Credit Reporting Act.

FINANCIAL PRIVACY ACT

This is notice to you as required by the Right to Financial Privacy Act of 1978 that the Department of Housing and Urban Development and/or the Veterans Administration have/has a right of access to financial records held by a financial institution in connection with the consideration or administration of assistance to you. Financial records involving this transaction will be available to the Department of Housing and Urban Development and/or the Veterans Administration without further notice or authorization but will not be disclosed or released to another government agency or department without your consent, except as required or permitted by law.

INTEREST RATE NOTIFICATION

The undersigned acknowledge(s) that the interest rate contained in my/our application dated this date is the rate at which Southwest Airlines Federal Credit Union is currently accepting applications with similar terms as this application, and may be subject to change until guaranteed in writing by the credit union.

NON-REFUNDABLE CREDIT REPORT FEE

This is notification that the initial "Credit Report Fee" is non-refundable in the event your loan does not close for any reason. The credit report fee will be applied to closing costs at loan closing.

MORTGAGE DISCLOSURE IMPROVEMENT ACT NOTICE

You are not required to complete this agreement merely because you have received these disclosures or signed a loan application.

HAZARD INSURANCE NOTIFICATION

You have the right to choose the carrier of the required hazard insurance coverage subject to approval by Southwest Airlines Federal Credit Union.

The amount of hazard insurance coverage required for a first mortgage shall equal the lesser of (a) 100% of the insurable value of the improvements as established by the property insurer, or (b) the unpaid principal balance of the mortgage. However, notwithstanding the above coverage requirements, the hazard insurance coverage shall not be less than the amount necessary to provide full coverage for losses resulting from partial destruction to the improvements, which is usually 80% of the replacement cost of the improvements.

You must provide the closing agent with the original hazard insurance policy prior to closing. You must provide a paid receipt for the first year's premium or have funds available at the closing for the closing agent to pay the premium in full. The policy must be from a carrier acceptable the Southwest Airlines Federal Credit Union.

If it is determined prior to closing that this property is located in a Special Flood Hazard Area that has federally mandated flood insurance purchase requirements pursuant to the Flood Disaster Protection Act of 1973, we will advise you by letter and flood insurance coverage will be required. You must provide the closing agent with a copy of your application for flood insurance, if required, prior to closing. You must provide a paid receipt for the first year's premium or have funds available at closing for the closing agent to pay the premium.

For a condominium unit, you must provide a Certificate of Insurance (and flood insurance if required) policy together with an endorsement naming Southwest Airlines Federal Credit Union as mortgagee for the unit being financed.

All required insurance coverage must be in effect at closing. The Credit Union must be named as the Loss Payee on all physical damage insurance policies. The mortgagee clause must read:
Southwest Airlines Federal Credit Union
It's successors and/or assigns
P. O. Box 35108
Dallas, Texas 75235-0108

RIGHT TO RECEIVE A COPY OF AN APPRAISAL

You have the right to a copy of the appraisal report used in connection with your application for credit. If you wish a copy, please write to us at the mailing address we have provided. We must hear from you no later than 90 days after we notify you about the action taken on your credit application or you withdraw your application.

In the letter, give us your name, SWACU account number and daytime telephone number.

I certify that I have read and understand the above disclosures.

Applicant Signature Date

Co-Applicant Signature Date

SOUTHWEST AIRLINES FEDERAL CREDIT UNION
2430 SHORECREST
DALLAS, TX 75235
214-357-5577 800-2625DAL