

WRAPAROUND FINANCING ADDENDUM ADDITIONAL TERMS

ADDENDUM TO EARNEST MONEY CONTRACT BETWEEN THE UNDERSIGNED PARTIES CONCERNING PROPERTY AT

(Street Address and City)

In addition to the terms specified in the Earnest Money Contract and the Seller Financing Addendum, the financing provided by Seller to Buyer shall contain:

- A. **PROMISSORY NOTE.** The wrap-around promissory note (Note) shall contain terms requiring ten days' notice of a monetary default and thirty days' notice of a non-monetary default under the Note and the Deed of Trust and the opportunity to cure a default during the applicable notice period. The Note shall also contain terms ("Wrap-Around Terms") requiring the Seller to continue to pay the note secured by the superior mortgage. If Seller fails to pay the Prior Note or breaches a covenant in the deed of trust securing the Prior Note, Buyer may cure the default and receive credit against the next maturing installments due under the Note for any sums expended to cure Seller's default.
- B. **DEED OF TRUST.** The deed of trust securing the Note (Deed of Trust) shall contain the following wraparound mortgage terms.
- (1) Seller shall convey title to the Property subject to payment of a note (Prior Note) with an unpaid balance not to exceed \$_____, at a fixed interest rate of not more than ___% with a principal and interest payment of not more than \$_____ secured by a superior lien against the Property. The Deed of Trust shall also contain Wrap-Around Terms.
- (2) Select one of these options:
- Seller shall, within ten days of the date each monthly payment is paid, provide Buyer with evidence reasonably acceptable to Buyer that Seller has paid any note secured by a superior lien against the Property. If Seller fails to provide such evidence, Buyer may withhold future payments due under the Note until such evidence is received.
- Buyer and Seller agree to open a checking account at a bank mutually agreeable to both parties. This account shall be used to collect and disburse note payments payable to Seller by Buyer and to pay the Prior Note. The account shall be opened in Seller's name but shall use Buyer's address so all bank statements shall be sent to Buyer. The parties will share the personal identification numbers and passwords for the account so that either may access the account information. Buyer shall make all payments payable to Seller under the Note into this account. The parties shall establish an automatic draft out of the account to pay the Prior Note, and, if there are additional funds to be paid to the Seller, an automatic draft shall transfer those funds to the Seller. Buyer shall pay the expense of maintaining this account. Buyer shall shall not be required, at closing, to deposit an amount equal to one month's payment of the Note and any required escrow deposits into the account to ensure there are adequate funds to pay the Prior Note promptly from this account.

- C. **NOTIFICATION OF PRIOR LIENS.** Buyer and Seller acknowledge notification by Broker and Hancock McGill & Bleau that:
- (1) The deed of trust securing the Prior Note contains a provision prohibiting the transfer of title to the Property to Buyer without the prior written consent of the owner and holder (Existing Lender) of the Prior Note.
 - (2) If title to the Property is transferred to Buyer by Seller without the written consent of Existing Lender, Existing Lender may accelerate payment of the Existing Note and foreclose on the liens securing the Existing Note if the Existing Note is not promptly paid. **BOTH PARTIES ACKNOWLEDGE THAT THEY UNDERSTAND THAT A CONVEYANCE OF THE PROPERTY WITHOUT THE CONSENT OF THE HOLDER OF THE LIENS SECURING THE PRIOR NOTE COULD SUBJECT THE PROPERTY TO FORECLOSURE BY THE HOLDER OF THE LIENS SECURING THE PRIOR NOTE.**
 - (3) If the liens securing the Prior Note are foreclosed the Buyer may lose Buyer's equity in the Property. Seller may be sued for any deficiency resulting from the foreclosure of the liens securing the Existing Note.
 - (4) Both Buyer and Seller acknowledge notification that a sale of the Property to Seller could void the existing fire and extended coverage insurance for the Property unless the sale is disclosed to the insurance company providing such insurance coverage.
 - (5) **BOTH BUYER AND SELLER ACKNOWLEDGE THAT HANCOCK MCGILL & BLEAU IS NOT REPRESENTING EITHER PARTY IN THIS TRANSACTION BUT HAS BEEN RETAINED SOLELY TO PREPARE THE LEGAL DOCUMENTS FOR THE TRANSACTION AGREED UPON BY THE PARTIES. IF BUYER OR SELLER DESIRE LEGAL COUNSEL REGARDING THIS TRANSACTION THEY WILL RETAIN INDEPENDENT LEGAL COUNSEL TO REPRESENT THEM. BOTH BUYER AND SELLER CONSENT TO HANCOCK MCGILL & BLEAU SERVING IN THE LIMITED CAPACITY STATED IN THIS CONTRACT.** Broker and Hancock McGill & Bleau have advised Buyer and Seller to seek legal advice from legal counsel of their choice before transferring title to the Property without the consent of the Existing Lender and to advise them of other risks associated with a transaction structured as a wrap-around conveyance.

BUYER AND SELLER EACH AGREE TO AND DO HEREBY RELEASE HANCOCK MCGILL & BLEAU AND BROKER AND ALL OFFICERS, DIRECTORS, AGENTS, AND EMPLOYEES OF BOTH SUCH PARTIES FROM ANY LIABILITY OR RESPONSIBILITY FOR ANY LOSS OR DAMAGE SUFFERED BY EITHER PARTY AS A RESULT OF THE CONVEYANCE OF THE PROPERTY WITHOUT THE CONSENT OF THE EXISTING LENDER. This release shall survive closing the sale of the Property to Buyer.

This addendum has been prepared by Hancock McGill & Bleau for use by its clients. It has not been reviewed or approved by the Texas Real Estate Commission or the Texas Association of Realtors. Buyers and Sellers are advised to consult with an attorney before signing. Hancock McGill & Bleau disclaim any liability for damages caused to any parties who use this form without specific guidance from Hancock McGill & Bleau.

Buyer

Seller

Buyer

Seller