

SAMPLE

THIS IS for construction loan But looks THE SAME for SUBPRIME LOAN if applicable

PREPAYMENT PENALTY DISCLOSURE NOTICE
FOR ONE TIME CLOSE CONSTRUCTION RESIDENTIAL HOME
MORTGAGE LOANS

PLEASE READ THIS DISCLOSURE CAREFULLY. IT CONTAINS INFORMATION THAT AFFECTS THE AMOUNT DUE ON YOUR LOAN. IF YOU, THE BORROWER(S), REFINANCE OR REPAY THE FULL LOAN BALANCE BEFORE MODIFICATION FROM THE CONSTRUCTION PHASE TO THE PERMANENT PHASE. YOU MAY BE CHARGED A PREPAYMENT PENALTY. THE EFFECT OF A PREPAYMENT PENALTY ON YOUR LOAN OBLIGATION MAY BE SUBSTANTIAL. YOU ARE ENTITLED TO ASK THE LENDER ABOUT ALTERNATIVE LOANS WITHOUT PREPAYMENT PENALTIES.

1. General. This Prepayment Penalty Disclosure Notice is given to you in connection with your application for a ONE TIME CLOSE construction residential home mortgage loan from **First Horizon Home Loans, a division of First Tennessee Bank National Association** ("Lender"). You should read this disclosure carefully before you sign any loan documents. THIS DISCLOSURE IS NOT A RESTATEMENT OF, A REPLACEMENT FOR, OR A PART OF ANY LOAN COMMITMENT, PROMISSORY NOTE, MORTGAGE, SECURITY INSTRUMENT OR OTHER DOCUMENT THAT EVIDENCES YOUR LOAN OBLIGATION AND IS NOT A COMMITMENT FROM THE LENDER TO MAKE A LOAN TO YOU.

Lender may sell any loan it makes and the terms of such loans may be enforced by a purchaser of the loan. Therefore, even if Lender makes a loan to you and sells the loan, the purchaser of that loan will have the rights outlined in the loan documents.

2. Prepayment Penalty. A prepayment penalty provision imposes a charge if the borrower refinances or pays off the mortgage loan before the modification of the loan from the construction phase to the permanent phase. You are entitled to pay off the loan early (that is, before the modification date). However, if you pay off the balance of the loan before loan modification, you will be required to pay a Prepayment Penalty to Lender.

The amount of the prepayment penalty will be specifically described in the Prepayment Penalty Rider to Construction Loan Note and is generally equal to: One (1) percent of the current principal balance of the loan when the entire balance is paid off prior to modification from the construction phase to the permanent phase. The prepayment penalty may be subject to State specific restrictions.

A refinance of your loan results in prepayment of your loan; therefore, if you refinance your loan within the period when the prepayment penalty is in effect, you will have to pay a prepayment penalty when you refinance. You should be aware that if you plan to refinance to take advantage of lower interest rates, for example, that the effect of the prepayment penalty will reduce the savings associated with refinancing.

3. Refund of Finance Charges Upon Prepayment or Partial Prepayment. If you pay off your loan early, you will not be entitled to a rebate or refund of any finance charges paid by you in connection with the loan.

Your signature below acknowledges your receipt of this Prepayment Penalty Disclosure Notice and that you have been advised that a prepayment penalty may be charged on your loan. IF YOU DO NOT WANT A LOAN WITH A PREPAYMENT PENALTY, ASK THE LENDER ABOUT OTHER TYPES OF LOAN PRODUCTS THAT MAY BE AVAILABLE TO YOU WITHOUT A PREPAYMENT PENALTY.

I/We have read the above disclosure and acknowledge receiving a copy by signing below.