

# Mechanic's Lien Note (Second Lien- Home Improvement)

ACCOUNT/CONTRACT NO. \_\_\_\_\_  
 CREDITOR/LENDER \_\_\_\_\_  
 ADDRESS (include county) \_\_\_\_\_

DATE OF NOTE \_\_\_\_\_  
 BORROWER \_\_\_\_\_  
 ADDRESS (include county) \_\_\_\_\_

PROPERTY ADDRESS: [include county] \_\_\_\_\_

A word like "I" or "me" means each person who signs as a Borrower. A word like "you" or "your" means the Lender or "Note Holder."

The Lender is \_\_\_\_\_. The Lender may sell or transfer this Note. The Lender or anyone who is entitled to receive payments under this Note is called the "Note Holder." You will tell me in writing who is to receive my payments.

Principal Amount: \_\_\_\_\_

Terms of Payment (principal and interest): \_\_\_\_\_

<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; padding: 2px;"> <b>ANNUAL PERCENTAGE RATE</b> The cost of my credit as a yearly rate.   <div style="text-align: right;">%    \$</div> </td> <td style="width: 50%; padding: 2px;"> <b>FINANCE CHARGE</b> The dollar amount the credit will cost me.   <div style="text-align: right;">\$</div> </td> </tr> </table>	<b>ANNUAL PERCENTAGE RATE</b> The cost of my credit as a yearly rate.  <div style="text-align: right;">%    \$</div>	<b>FINANCE CHARGE</b> The dollar amount the credit will cost me.  <div style="text-align: right;">\$</div>	<b>Amount Financed</b> The amount of credit provided to me or on my behalf.  <div style="text-align: right;">\$</div>	<b>Total of Payments</b> The amount I will have paid after I have made all payments as scheduled.  <div style="text-align: right;">\$</div>	<b>ITEMIZATION OF AMOUNT FINANCED</b>  1. Amount Financed (2+3+4) \$ _____  2. Amount given to me directly \$ _____  3. Amount paid on my account (Net Balance Prior Account) \$ _____  4. Amount paid to others on my behalf (A+B+C+D+E) \$ _____  A. Cost of hazard/property insurance paid to insurance company \$ _____ B. Cost of optional credit insurance paid to insurance company or companies Life \$ _____ Disability \$ _____ Total B: \$ _____ C. Title Insurance paid to insurance Company \$ _____ D. Official fees paid to government Agencies \$ _____ E. Payable to: \$ _____ Payable to: \$ _____ Payable to: \$ _____ Total E: \$ _____  5. Prepaid Finance Charge \$ _____]							
<b>ANNUAL PERCENTAGE RATE</b> The cost of my credit as a yearly rate.  <div style="text-align: right;">%    \$</div>	<b>FINANCE CHARGE</b> The dollar amount the credit will cost me.  <div style="text-align: right;">\$</div>											
<b>My Payment Schedule will be:</b>												
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 33%;">Number of Payments</th> <th style="width: 33%;">Amount of Payments</th> <th style="width: 33%;">When Payments Are Due</th> </tr> </thead> <tbody> <tr> <td> </td> <td> </td> <td> </td> </tr> <tr> <td> </td> <td> </td> <td> </td> </tr> </tbody> </table>	Number of Payments	Amount of Payments	When Payments Are Due									
Number of Payments	Amount of Payments	When Payments Are Due										
<b>Security:</b> You will have a security interest in the following described property: (property description) _____ <b>Late Charge:</b> If any part of a payment is unpaid for 10 days after it is due, I may be charged 5% of the amount of payment. <b>Prepayment: (Scheduled Installment Earnings Method):</b> If I pay off early, I may be entitled to a refund of part of the Finance Charge and I will not have to pay a penalty. <b>(True Daily Earnings Method):</b> If I pay off early, I will not have to pay a penalty. <b>Additional Information:</b> See the contract documents for any additional information about nonpayment, default, any required repayment in full before the scheduled date, and prepayment refunds and penalties.												

**SECURITY FOR PAYMENT**

Liens created in the Contract secure this Note.

**DEFINITIONS**

(A) "Owner" means (name of owner), whose address is (address of owner, including county). If Owner and Maker are not the same person, the word "Owner" includes Maker.

(B) "Contractor" means (name of contractor), whose address is (address of contractor, including county) and includes those to whom the Contractor has assigned or transferred Contractor's rights and remedies.

(C) "Contract" means the Texas Home Improvement Mechanic's Lien Contract for Improvement and Power of Sale dated \_\_\_\_\_ between Contractor and Owner.

(D) "Property" means the Property at (list address of the Property), whose legal description is (list legal description of the Property).

(E) "Note" means the Texas Home Improvement Mechanic's Lien Note signed by me and dated \_\_\_\_\_ and includes all amounts secured by this Contract. The Note states that the amount I owe you is \_\_\_\_\_ Dollars (U.S. \$ \_\_\_\_\_) plus interest. I have promised to pay this debt in regular periodic payments and to pay the debt in full not later than \_\_\_\_\_.

## **BORROWER'S PROMISE TO PAY**

### Scheduled Installment Earnings Method:

I promise to pay the Total of Payments to the order of you. [The "principal" or "cash advance" is \$ \_\_\_\_\_. This amount plus interest must be paid by \_\_\_\_\_ (maturity date).] I will make payments to you at the address above or as you direct. I will make the payments on the dates and in the amounts shown in the Payment Schedule.

### True Daily Earnings Method:

I promise to pay the cash advance plus the accrued interest to the order of you. (The "principal" or "cash advance" is \$ \_\_\_\_\_. This amount plus interest must be paid by \_\_\_\_\_ (maturity date).) I will make payments to you at the address above or as you direct. I will make the payments on the dates and in the amounts shown in the Payment Schedule.

## **LATE CHARGE**

If I don't pay all of a payment within 10 days after it is due, you can charge me a late charge. The late charge will be 5% of the scheduled payment.

## **AFTER MATURITY INTEREST**

If I don't pay all I owe when the final payment becomes due, I will pay interest on the amount that is still unpaid. That interest will be the higher of the rate of 18% per year or the maximum rate allowed by law. That interest will begin the day after the final payment becomes due.

## **PREPAYMENT**

Scheduled Installment Earnings Method: I can make a whole payment early. Unless you agree otherwise in writing, I may not skip payments. If I make a payment early, my next payment will still be due as scheduled.

True Daily Earnings Method: I can make any payment early. Unless you agree otherwise in writing, I may not skip payments. If I make a payment early, my next payment will still be due as scheduled.

## **FINANCE CHARGE AND REFUND METHOD**

For contracts using Scheduled Installment Earnings Method - Section 342.301 rate loans: The annual rate of interest is \_\_\_\_%. This interest rate may not be the same as the Annual Percentage Rate. You figure the Finance Charge by applying the scheduled installment earnings method as defined by the Texas Finance Code to the unpaid cash advance. The unpaid cash advance does not include the administrative fee, late charges, and returned check charges. If I prepay my loan in full before the final payment is due, I may save a portion of the Finance Charge. I will not be paid a refund if the refund would be less than \$1.00. You base the Finance Charge and Total of Payments as if I will make each payment on the day it is due. My final payment may be larger or smaller than my regular payment.

I have paid any points, administrative fee, or loan origination fee as prepaid interest. The administrative fee is earned at the time the loan is made and is not subject to refund. If I pay the loan in full early, you will refund any prepaid interest that would make the interest rate exceed the maximum rate allowed by law. Any refund will be credited to my account.

Any payment(s) that you accept after the final payment becomes due is not a renewal or extension of this loan agreement unless you agree in writing.

You will apply my payments in the following order: (1) interest that is due, (2) principal, (3) any other charges I owe.

For contracts using Scheduled Installment Earnings Method with prepayments option - Section 342.301 rate loans: The annual rate of interest is \_\_\_\_%. This interest rate may not be the same as the Annual Percentage Rate. You figure the Finance Charge by applying the scheduled installment earnings method as defined by the Texas Finance Code to the unpaid cash advance. I may make a full or partial payment early without paying a penalty. My early payments will reduce the principal that I owe. The unpaid cash advance does not include the administrative fee, late charges, or return check charges. If I make an early partial payment, the due date and amount of my next payment will not change unless you agree in writing.

I have paid any points, administrative fee, or loan origination fee as prepaid interest. The administrative fee is earned at the time the loan is made and is not subject to refund. If I pay the loan in full early, you will refund any prepaid interest that would make the interest rate exceed the maximum rate allowed by law. Any refund will be credited to my account.

Any payment(s) that you accept after the final payment becomes due is not a renewal or extension of this loan agreement unless you agree in writing.

You will apply my scheduled payments in the following order: (1) interest that is due, (2) principal, (3) any other charges I owe.

For contracts using True Daily Earnings Method - Section 342.301 rate loans: The annual rate of interest is \_\_\_\_%. This interest rate may not be the same as the Annual Percentage Rate. You figure the Finance Charge by applying the true daily earnings method as defined by the Texas Finance Code to the unpaid portion of the cash advance. The unpaid cash advance does not include the administrative fee, late charges, and return check charges. You base the Finance Charge and Total of Payments as if I will make each payment on the day it is due. You will apply payments on the date they are received. This may result in a different Finance Charge or Total of Payments. My final payment may be larger or smaller than my regular payment.

I have paid any points, administrative fee, or loan origination fee as prepaid interest. The administrative fee is earned at the time the loan is made and is not subject to refund. If I pay the loan in full early, you will refund any prepaid interest that would make the interest rate exceed the maximum rate allowed by law. Any refund will be credited to my account.

Any payment(s) that you accept after the final payment becomes due is not a renewal or extension of this loan agreement unless you agree in writing.

You will apply my payments as follows: (1) interest that is due, (2) principal, (3) any charges I owe.

**DEFERMENT**

If I ask for more time to make any payment and you agree, I will pay more interest to extend the payment. The extra interest will be figured under the Finance Commission rules.

**DISHONORED CHECK FEE**

I agree to pay you a fee of up to \$30 for a returned check. You may add the fee to the amount I owe or collect it separately.

**DEFAULT**

I will be in default if:

- a. I do not timely make a payment to the person or place you direct;
- b. I break any promise I made in the loan agreement;
- c. I allow a lien to be entered against the Property unless you agree in writing;
- d. I sell, lease, or dispose of the Property;
- e. I use the Property for an illegal purpose; or
- f. you believe in good faith I am not going to keep any of my promises.

If there is more than one Borrower, each Borrower agrees to keep all of the promises in the loan agreement.

If I am in default, you will send me a written notice telling me how to cure the default. You must give me at least 21 days after the date on which the notice is mailed or delivered to cure the default.

**PROPERTY INSURANCE**

**PROPERTY INSURANCE: I must keep the Property insured against damage or loss in at least the amount I owe. I may obtain property insurance from anyone I want or provide proof of insurance I already have. The insurer must be authorized to do business in Texas.**

**If this box is checked, the premium is not fixed or approved by the Texas Department of Insurance.**

I agree to give you proof of property insurance. I must name you as the person to be paid under the policy in the event of damage or loss. If I obtain the insurance through you, I will pay the premium shown below. However, I have 5 days from the date of this loan to furnish like (equivalent) coverage from another source. If I fail to meet any of these requirements, you may obtain collateral protection insurance at my expense. You will insure the Property for the lesser amount of the value of the Property or the amount of the debt. If you obtain collateral protection insurance, you will mail notice to my last known address.

Property Insurance \$ \_\_\_\_\_ Term \_\_\_\_\_

**CREDIT INSURANCE**

Credit insurance is optional. Credit life insurance and credit disability insurance are not required to obtain credit. This insurance will not be provided unless I sign and agree to pay the extra cost. I will look to the insurance policy or certificate for the terms and description of benefits, exclusions, and premium rates.

Single Premium

Credit Life, one borrower \$ \_\_\_\_\_ Credit Life, both borrowers \$ \_\_\_\_\_ Term \_\_\_\_\_  
Credit Disability, one borrower \$ \_\_\_\_\_ Credit Disability, both borrowers \$ \_\_\_\_\_ Term \_\_\_\_\_

**If this box is marked, the premium for the insurance coverage(s) above is not fixed or approved by the Texas Insurance Commissioner.**

I want the insurance above.

Borrower's Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Co-Borrower's Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Monthly Premium

If I want credit life or credit disability insurance, I must sign below and pay the monthly premium. The monthly premium will be added to the monthly loan payment. If I do not pay the monthly premium, I will not have the insurance coverage.

I request the following insurance:

Premium Due with the First Month's <u>Loan Payment</u>	First Year <u>Premium</u>	Insurance <u>Type:</u>	_____	Borrower's Signature	_____	Date
\$	\$					
\$	\$					
\$	\$					
				_____		_____
				Co-Borrower's Signature		Date

The first year's premiums are based on an assumption that monthly loan payments are timely made. All unpaid premiums are due at the time of the final payment. The insurance may be canceled if I do not pay the premiums. \*\* I may cancel any of the optional insurance products offered at any time. The optional insurance will be canceled upon the earliest of the following occurrences:

- (1) your receipt of my written request for cancellation;
- (2) cancellation under the insurance certificate or policy;
- (3) payment in full of my loan; and
- (4) my death.

\*\*Optional language: The insurance will cancel on the date when the total past due premiums equal or exceed ((four)) times the first month premium.

**MAILING OF NOTICES TO BORROWER**

You or I may mail or deliver any notice to the address above. You or I may change the notice address by giving written notice. Your duty to give me notice will be satisfied when you mail it.

**STATEMENT OF TRUTHFUL INFORMATION**

I promise that all information I gave you is true.

**DUE ON SALE CLAUSE, NOTICE OF INTENT TO ACCELERATE, AND NOTICE OF ACCELERATION**

If all or any interest in the Property is sold or transferred without your prior written consent, you may require immediate payment in full of all that I owe under this loan agreement. You will not exercise this option if prohibited by law.

If you exercise this option, you will give me notice that you are demanding payment of all that I owe. This notice will give me a period of not less than 21 days from the date of the notice within which I must pay all that I owe under this loan agreement. If I fail to pay all that I owe before the end of this period, you may use any remedy allowed by the loan agreement.

**NO WAIVER OF LENDER'S RIGHTS**

If you don't enforce your rights every time, you can still enforce them later.

**COLLECTION EXPENSES**

If you require me to pay all that I owe at once, you will have the right to be paid back by me for all of your costs and expenses in enforcing this loan agreement to the extent not prohibited by applicable law. These expenses include, for example, reasonable attorneys' fees.

**JOINT LIABILITY**

I understand that you may seek payment from only me without first looking to any other Borrower.

**USURY SAVINGS CLAUSE**

I do not have to pay interest or other amounts that are more than applicable law allows.

**SAVINGS CLAUSE**

If any part of this loan agreement is declared invalid, the rest of the loan agreement remains valid. If any part of this loan agreement conflicts with any law, that law will control. The part of the loan agreement that conflicts with the law will be modified to comply with the law. The rest of the loan agreement remains valid.

**PRIOR AGREEMENTS**

**This written loan agreement is the final agreement between you and me. It may not be changed by prior, current, or future oral agreements and there are none. Any change to this loan agreement must be in writing. Both you and I have to sign written agreements.**

**APPLICATION OF LAW**

Federal law and Texas law apply to this loan agreement.

**COMPLAINTS AND INQUIRIES NOTICE**

The (name of lender or note holder) is licensed and examined under the laws of the State of Texas and by state law is subject to regulatory oversight by the Office of Consumer Credit Commissioner. Any consumer wishing to file a complaint against the (name of lender or note holder) should contact the Office of Consumer Credit Commissioner through one of the means indicated below:

Office of Consumer Credit Commissioner  
2601 North Lamar Boulevard, Austin, Texas 78705-4207  
www.occc.state.tx.us  
(512) 936-7600 – (800) 538-1579

**COLLATERAL**

The Property is subject to the Contract lien.

I am responsible for all obligations in this Note.

**NOTICE**

**ANY HOLDER OF THIS CONSUMER CREDIT CONTRACT IS SUBJECT TO ALL CLAIMS AND DEFENSES WHICH THE DEBTOR COULD ASSERT AGAINST THE SELLER OF GOODS OR SERVICES OBTAINED PURSUANT HERETO OR WITH THE PROCEEDS HEREOF, RECOVERY HEREUNDER BY THE DEBTOR SHALL NOT EXCEED AMOUNTS PAID BY THE DEBTOR HEREUNDER.**

Do not sign if there are blanks left to be completed in this document.

I must receive a copy of this document after I have signed it. I agree to the terms of this loan agreement.

\_\_\_\_\_(Seal)  
-Borrower

\_\_\_\_\_(Seal)  
-Borrower

\_\_\_\_\_(Seal)  
-Borrower

\_\_\_\_\_(Seal)  
-Borrower

*[Sign Original Only]*