



SHARED APPRECIATION DISCLOSURE

Important disclosure about the agreement in which I pay a part of any future increase in the value of your home. Please read carefully.

Borrower(s) ("I"): [REDACTED]

Servicer ("Servicer"): *Owen Loan Servicing, LLC*

Date of first lien Security Instrument ("Mortgage") and Note ("Note"): 10/18/2006

Loan Number [REDACTED]

Property Address: [REDACTED] Los Angeles, CA 90032 ("Property")

THIS SHARED APPRECIATION DISCLOSURE is made this 21st day of September, 2011, and is incorporated into and shall be deemed to supplement the Modification Agreement (the "Agreement") of the same date given by the undersigned ("Borrower"). The Agreement contains a shared appreciation feature that requires the Borrower to make an additional payment based on the future appreciation of the Property.

SHARED APPRECIATION ACCOUNT

I agree to share in any future appreciation of the market value of the Property that occurs between the date of modification and the date the Property is sold, refinanced or the loan reaches maturity. The Shared Appreciation Amount recognizes certain improvements made to the property after the date of modification. In no event shall the Shared Appreciation Amount collected be more than the Deferred Principal Balance. The following are examples of how such shared appreciation may be calculated.

EXAMPLES

This share appreciation modification is available to borrowers whose unpaid principal balance exceeds the market value of their Property. Under the shared appreciation modification, the unpaid principal balance would be reduced, and the borrower's would receive a new principal balance made up of two parts: (i) an Interest Bearing Principal Balance that has been adjusted based upon the market value at the time of modification and (ii) a Deferred Principal Balance that does not bear interest and is eligible to be forgiven over a three year period.

For purposes of this disclosure, the scenarios below are based on the following modification terms:

- A market value of \$100,000 at the time of modification.
- A New Principal Balance of \$130,000.
- An Interest Bearing Principal Balance of \$100,000.
- A Deferred Principal Balance of \$30,000.

After four (4) years of making each monthly payment on time, Borrower decides to sell the Property and receives an Arm's Length offer to purchase from an unrelated third party in the amount of:

1. \$100,000, EQUIVALENT TO NO APPRECIATION AFTER THE MODIFICATION

As described below, since the market value of the Property remained the same from the date of modification to the date Borrower decided to sell the Property, the total Shared Appreciation Amount Borrower would owe would be \$0.

- All \$30,000 of Deferred Principal Balance would have been already forgiven.
- The Shared Appreciation Amount would be equal to 25% of \$0 in appreciation (25% x \$0).
- Borrower would owe a Shared Appreciation Amount of \$0.



- Borrower would receive \$0 in appreciation from the sale of your Property.

2. \$120,000, EQUIVALENT TO AN APPRECIATION OF TWENTY PERCENT (20%) AFTER THE MODIFICATION

As described below, since the market value of the Property increased from \$100,000 to \$120,000 from the date of modification to the date Borrower decided to sell the Property, the total Shared Appreciation Amount Borrower would owe would be \$5,000.

- All \$30,000 of Deferred Principal Balance would have been already forgiven.
- The Shared Appreciation Amount would be equal to \$5,000 or 25% of the \$20,000 in appreciation $((\$120,000 - \$100,000) \times 25\%)$.
- Since the Shared Appreciation Amount of \$5,000 $(25\% \times \$20,000)$ is less than the Deferred Principal Balance (\$30,000), the Shared Appreciation Amount Borrower would owe would be \$5,000.
- Borrower would receive 75% or \$15,000 $(75\% \times \$20,000)$ of the increase in market value.

3. \$120,000, EQUIVALENT TO AN APPRECIATION OF TWENTY PERCENT (20%) AFTER THE MODIFICATION (WITH A SUBSEQUENT CAPITAL IMPROVEMENT MADE TO THE PROPERTY.)

As described below, the market value of the Property increased from \$100,000 to \$120,000 from the date of modification to the date Borrower decided to sell the Property. However, in this instance, the Borrower has also produced evidence of a \$5,000 Subsequent Capital Improvement made to the property after the modification effective date. As a result, the total Shared Appreciation Amount Borrower would owe would be \$3,750.

- All \$30,000 of Deferred Principal Balance would have been already forgiven.
- The Shared Appreciation Amount would be equal to \$3,750 or 25% of the \$15,000 in appreciation achieved after deduction of the \$5,000 for the Subsequent Capital Improvement $((\$120,000 - \$100,000 - \$5,000) \times 25\%)$.
- Since the Shared Appreciation Amount of \$3,750 $(25\% \times \$15,000)$ is less than the Deferred Principal Balance (\$30,000), the Shared Appreciation Amount Borrower would owe would be \$3,750.
- Borrower would receive a full credit of \$5,000 for the Subsequent Capital Improvement plus 75% or \$11,250 $(75\% \times \$15,000)$ of the increase in market value.

4. \$225,000, EQUIVALENT TO AN APPRECIATION OF ONE HUNDRED AND TWENTY FIVE PERCENT (125%) AFTER THE MODIFICATION

As described below, since the market value of the Property increased from \$100,000 to \$225,000 from the date of modification to the date Borrower decided to sell the Property, the total Shared Appreciation Amount Borrower would owe would be \$30,000.

- All \$30,000 of Deferred Principal Balance would have been already forgiven.
- The Shared Appreciation Amount would be equal to \$31,250 or 25% of the \$125,000 in appreciation $((\$225,000 - \$100,000) \times 25\%)$.
- Since the Shared Appreciation Amount of \$31,250 $(25\% \times \$125,000)$ is greater than the Deferred Principal Balance (\$30,000), Borrower would owe a Shared Appreciation Amount of \$30,000 at the time of sale.
- Borrower would receive 75% or \$93,750 $(75\% \times \$125,000)$ plus an additional \$1,250 $(\$31,250 - \$30,000)$ because the amount of appreciation actually due cannot exceed the total Deferred Principal Balance of \$30,000.

OTHER CONSIDERATIONS

1. Borrower should seek independent counseling from a lawyer, a HUD-certified mortgage counselor and/or a tax advisor regarding (A) the trade-off between a current reduction in the size of the mortgage versus the promise to give up part of the future appreciation of your Property, and (B) the tax consequences of the principal forgiveness and shared appreciation features of the Agreement.
2. The U.S. Department of Housing and Urban Development list of approved housing counselors may be found at: <http://www.hud.gov/offices/hsg/sfh/hcc/ft/>





Loan Number: [REDACTED]

BALLOON DISCLOSURE

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Date of first lien Security Instrument ("Mortgage") and Note ("Note"): 10/18/2006

Loan Number: [REDACTED]

Property Address: [REDACTED] Los Angeles, CA 90032

THIS BALLOON DISCLOSURE is made this 21st day of September, 2011, and is incorporated into and shall be deemed to supplement the Modification Agreement (the "Agreement") of the same date given by the undersigned Borrower. The Agreement contains a balloon feature that requires the Borrower to make an additional payment based on the future appreciation of the Property.

This means that even if I make all payments full and on time, the loan will not be paid in full by the final payment date. A single balloon payment will be due and payable in full on 11/1/2036, provided that all payments are made in accordance with the loan terms and the interest rate does not change for the entire loan term. The balloon payment may vary depending on the Shared Appreciation Amount as determined at the time of maturity.

Neither Ocwen Loan Servicing, LLC nor any lender to which your loan is transferred or assigned is under any obligation to finance the amount of the balloon payment. In addition, the value of the real estate securing this loan may change during the term of the loan. On the date the balloon payment becomes due, the value of the real estate may not be sufficient to secure a new loan in an amount equal to the balloon payment.



THE LAW OFFICES OF
MICHAEL GADDIS

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

Borrower

Date

Borrower

Date

Loan Number: [REDACTED]

