

## LOAN NOTE

We the borrowers, Arturo and Maria Homeowner, of 123 Main Street, Anytown, USA, do hereby agree to repay TOP QUALITY Mortgage, Inc., or it transfers and assigns under the following provisions and terms,

**Borrowers' Promise to Pay.** In return for the loan we have received, we promise to repay \$65,000 (the "principal amount"), plus interest to TOP QUALITY Mortgage Co. We understand that this note may be transferred at any time to another holder. If the loan is transferred, we agree to pay the new holder under this contract.

**Interest.** Interest will be charged on the principal amount until the loan is fully paid. We will pay interest at an initial yearly rate of 7.550%. The interest rate may vary during the loan terms, as discussed below.

**Interest rate and monthly payment changes.**

**(A) Change dates.** The interest we will pay may change on the first day of June, 2008 and on that day every 6<sup>th</sup> month thereafter. Each date on which our interest rate could change is called a "Change Date."

**(B) Index.** Beginning with the first Change Date, our interest rate will be based on an "Index." The Index is the average of interbank offered rates for six-month U.S. dollar-denominated deposits in the London market based on quotations of major banks, as published in the "Money Rates" section of the Western Edition of the Wall Street Journal. The most recent Index figure available as of the date forty-five days before each Change Date is called the "Current Index."

**(C) Calculation of Changes.** Before each Change Date, the Note Holder will calculate our new interest rate by adding 5.25% to the Current Index. The Note Holder will then round the result of this addition to the nearest one-eighth of one percentage point (0.125%). Subject to the limits stated in Section (D) below, this rounded amount will be our new interest rate until the next Change Date. The Note Holder will then determine the amount of the monthly payment that would be sufficient to repay the unpaid principal that we are expected to owe at the Change Date in full on the Maturity Date at our new interest rate in substantially equal payments. The result of the calculation will be the new amount of our monthly payment.

**(D) Limits on Interest Rate Changes.** The interest rate we are required to pay at the first Change Date will not be greater than 9.55% or less than 7.55%. Thereafter, our interest rate will never be increased or decreased on any single Change Date by more than 1% from the rate of interest we have been paying for the preceding six months. Our interest rate will never be greater than 14.55% or less than 7.55%.

**(E) Effective Date of Changes.** Our new interest rate will become effective on each Change Date. We will pay the amount of our new monthly payment beginning on the first monthly payment date after the Change Date until the amount of my monthly payment changes again.

**(F) Notice of Changes.** The Note Holder will deliver or mail to us a notice of any changes in our interest rate and the amount of our monthly payment before the effective date of any change. The notice will include information required by law to be given us and the title and telephone number of a person who will answer any question we may have regarding the notice.

**Payments.** We will make our principal payment on the first of every month starting on December 1, 2005. The initial monthly payment shall be \$456.72. All payments will be paid first to any charges due and owing on the account under the terms of this note, then to interest, then to reduce the principal amount. We will make payments on this account until the principal, interest, and other charges due on this account are fully paid. If the note is not fully paid by January 1, 2035, the lender may declare the remaining principal, interest, and other charges dues and owing full at that time.

**Prepayment.** If this loan is prepaid in whole or in part, we agree to pay a penalty of 5% of the principal balance due on the date of prepayment during the first five years of the term.

By signing below, the borrowers agree to all terms and covenants contained in this loan note.

X Arturo Homeowner

X Maria Homeowner

11/17/2005

Date