

SECURITIES AND EXCHANGE COMMISSION

FORM 10KSB

Annual and transition reports of small business issuers [Section 13 or 15(d), not S-B Item 405]

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FILER

HEMOCAPITAL INVESTMENT CORP

CIK: **320545** | IRS No.: **953614463** | State of Incorporation: **NV** | Fiscal Year End: **0930**
Type: **10KSB** | Act: **34** | File No.: **000-09774** | Film No.: **96687885**
SIC: **6163** Loan brokers

Mailing Address

6836 AUSTIN CENTER BLVD
STE 280
AUSTIN TX 78731

Business Address

6836 AUSTIN CENTER BLVD
STE 280
AUSTIN TX 78731
5123438911

U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-KSB

(Mark One)

Annual report under Section 13 or 15(d) of the Securities Exchange Act of 1934 (Fee required)

For the fiscal year ended September 30, 1996.

Transition report under Section 13 or 15(d) of the Securities Exchange Act of 1934 (No fee required)

For the transition period from to .

Commission File Number: 0-9774

HOMECAPITAL INVESTMENT CORPORATION
(Name of Small Business Issuer in its charter)

NEVADA
(State or Other Jurisdiction of
Incorporation or Organization)

95-3614463
(I.R.S. Employer
Identification No.)

6836 AUSTIN CENTER BLVD.
SUITE 280
AUSTIN, TEXAS
(Address of Principal Executive Offices)

78731
(Zip Code)

Issuer's telephone number, including area code: (512) 343-8911

SECURITIES REGISTERED UNDER SECTION 12(b) OF THE ACT:
None

SECURITIES REGISTERED UNDER SECTION 12(g) OF THE ACT:
Common Stock (\$.01 par value)
(Title of Class)

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB.

The issuer's revenues for the fiscal year ended September 30, 1996 were \$8,913,603.

As of December 16, 1996, there were 7,921,858 shares of Common Stock of the Registrant outstanding. The aggregate market value of the outstanding common stock of the Registrant held by non-affiliates on December 16, 1996, was \$7,664,363 based upon the average bid and asked price of \$7.00 per share on the OTC Bulletin Board of the National Association of Dealers, Inc. on December 16, 1996.

Transitional Small Business Disclosure Format (check one): Yes _____ No _____

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PART I

ITEM 1. DESCRIPTION OF BUSINESS

HomeCapital Investment Corporation, a Nevada corporation (the "Company" or "Registrant"), is a holding company, which conducts its business entirely through a wholly-owned subsidiary, HomeOwners Mortgage & Equity, Inc., a Delaware corporation ("Home"). All references herein to the Company include Home, unless the context otherwise requires.

Home is a specialized consumer finance company organized in 1993 to

originate, purchase, sell and service home improvement and other second mortgage loans secured by residential property. Home primarily finances Title I home improvement loans ("Title I Loans") and conventional consumer and home equity loans that may fund a variety of borrower needs ("Conventional Loans"). Loans generated or purchased by Home are financed through bank warehouse credit lines and then sold to the Federal National Mortgage Association ("Fannie Mae"), secondary mortgage market investors and other financial institutions. Home originates its loans primarily through pre-qualified home improvement contractors ("Dealers") principally in the Southwestern and Western regions of the United States, and through a national network of mortgage company loan correspondents ("Correspondents"). The Company has recently initiated special arrangements for loans to customers of home improvement supply and installation firms ("Corporate Alliances").

Business Strategy. The Company seeks to become a leading consumer finance company with particular emphasis on the home remodeling and home equity financing markets. The Company's primary strategy is to increase loan volume while maintaining its credit quality. The Company's strategies include: (i) offering new loan products; (ii) expanding its existing network of Correspondents, Corporate Alliances and Dealers; (iii) entering new geographic markets; (iv) realizing operational efficiencies through economies of scale, and (v) using sales to Fannie Mae and possible securitizations to sell higher volumes of loans on more favorable terms. During the last quarter of fiscal 1996, the Company initiated the sale of a significant volume of its Title I Loans to Fannie Mae. Subject to the availability of additional capital resources, the Company may begin selling Title I Loans through securitization by means of a Company sponsored Real Estate Mortgage Investment Conduit ("REMIC"). There is no assurance that these objectives will be achieved.

Loan Products. Home originates and purchases Title I and Conventional Loans which are typically secured by a second mortgage lien on a one-to-four-family residence. Home occasionally originates and purchases unsecured Title I Loans for its most creditworthy customers. Loans under Title I of the National Housing Act of 1934, administered by the U.S. Department of Housing and Urban Development ("HUD") are eligible to be insured by the Federal Housing Administration ("FHA") for 90% of the loan principal and certain other costs. Among other things, Title I provides a credit insurance program enabling homeowners to borrow 100% of home improvement costs up to \$25,000 with a maximum term of 20 years on a single family unit. The holder of a Title I Loan has the risk of a potential loss of up to ten percent of the principal balance plus certain expenses and a portion of the interest on the loan. However, the FHA insures the remaining 90% of the principal balance of each Title I Loan and certain other costs, provided that the loan was originated within HUD guidelines and the holder of the loan has

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maintained a loss reserve account required to be established with HUD. The borrowers of Title I Loans are typically classified as "A" through "D" credits, many of which typically have less access to alternative forms of consumer financing due to unfavorable credit experience, insufficient home equity, limited credit history or high levels of debt service. Because of the additional credit risk, Title I Loans originated or purchased by Home bear a higher interest rate than rates charged by financial institutions to consumers with better credit ratings, but may have lower monthly payments due to the longer term.

In addition to Title I Loans, Home originates or purchases a variety of Conventional Loans for home improvement, residential purchase money, equity recovery and tax lien refinancing. Conventional Loans are non-insured consumer loans and therefore generally require borrower equity. The borrower credit characteristics of Conventional Loans are similar to that of Title I Loans; however, Conventional Loans may be larger with shorter financing terms and slightly lower rates than Title I Loans. Generally, Home originates these loans under a pre-approval agreement and purchase commitment from an investor.

Loan Production. Home originates loans principally through (i) a network of independent home improvement contractors, (ii) wholesale purchase transactions with regional correspondent lenders, (iii) direct mail solicitation of individual homeowners ("Direct Loans") and (iv) national home improvement supply and installation companies. Although the Dealer facilitates the loan by taking the customer application, Home's underwriting department evaluates and prices the loan and either Home or the Dealer prepares the loan documentation ("Dealer Loans"). If a Dealer processes the loan, prepares the documentation and closes the loan, the loan is made directly by the Dealer to the customer and indirectly by Home ("Indirect Loans"). When Home has verified that the remodeling project has been completed to the satisfaction of the borrower, then Home purchases the pre-approved loan from the Dealer at its face or par value.

During fiscal 1995, Home instituted its "MoneyLink" marketing plan to solicit Dealers who did not offer financing as a part of their business. Under the MoneyLink program applications are solicited by the Dealers from their customers, but the lending relationship is direct from Home to the customer

("Direct Loan"). The Dealer only furnishes the customer an application and forwards it to Home for processing, thereby acting only as a facilitator and not processing the loan in the Dealer's name. Home will then underwrite, process, communicate and close the loan directly with the customer.

Upon closing a Dealer Loan, Home funds the loan proceeds, either payable directly to the customer or jointly to the customer and the contractor prior to the initiation of home improvement work. Home receives any negotiated origination fees and originates the loan at par value.

As of December 16, 1996, Home has established a network of 272 Dealers in nine (9) states originating Indirect Loans and over 357 approved independent contractors in approximately 30 states under its MoneyLink program, through which it originates a significant portion of its Conventional and Title I Loans. No Dealer accounted for more than five percent of Home's loan production in fiscal 1996. Home is not required to establish offices and obtain territorial operating approval from HUD to originate Correspondent Loans, but can originate all such

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loans from its executive office. In order to originate loans eligible for Title I insurance, Home is required to establish offices and obtain territorial operating approval from HUD prior to purchase of Dealer Loans. As of December 16, 1996, Home was approved by HUD to purchase Dealer Loans in nine states. Home anticipates opening six additional offices and obtaining HUD approval in approximately 22 states during fiscal 1997. In addition to HUD approval, the origination or purchase of Dealer Loans and all Direct Loans requires Home to be approved or exempt from approval by state lending authorities for loan originations in the respective states. As of December 16, 1996, Home was approved or exempt in 25 states, had submitted applications for lending authority in ten states and anticipates applying in fiscal 1997 in an additional 13 states, six of which require the establishment of an office in that state prior to application.

The Company currently maintains a correspondent relationship with 131 Correspondents operating in 18 states. Loans generated by Correspondents ("Correspondent Loans") are originated, documented and closed by the Correspondent lenders, usually small mortgage companies, commercial banks or finance companies, but pre-approved and priced by Home's underwriting staff and subsequently purchased by Home at a premium ranging from one percent to four and one-half percent depending on the coupon rate and maturity of the loan. The Company is seeking to expand and geographically diversify its Correspondent Loans by development of new Correspondent lender relationships through an on-going marketing campaign and through the addition of regional marketing managers in its existing offices and in the new offices proposed for fiscal 1997.

During fiscal 1996, the Company purchased loans from 78 Correspondents. As a percentage of total 1996 Title I Loan production, 32 Correspondents accounted for 73% of the Company's loans. No Correspondent accounted for more than 10% of production, five Correspondents each accounted for 5% to 10% and an additional five Correspondents each accounted for 2% to 5% of Title I Loans.

Home also makes Direct Loans that have, in the past, been typically originated through direct mail solicitation. Home has originated three initial "Corporate Alliance" relationships with home improvement supply and installation companies. Under these relationships the various home improvement stores and installation franchisees facilitate loan originations by offering home improvement financing, through MoneyLink, at point-of-sale to their home improvement customers. Store personnel trained by the Company obtain loan applications that are processed by Home for Direct Loans to the customers. This method of origination has particular benefit for "installed sales" by which a customer makes an overall choice for a particular home improvement (such as a new kitchen, bathroom, windows or other improvement), and the entire project, including labor and materials, is installed on a turn-key basis by the Corporate Alliance company. The Corporate Alliance company may benefit from increased sales by accessing MoneyLink financing, through Home, for its customers. The loan applications are underwritten, processed and closed as Direct Loans to the customers who utilize the loan proceeds in payment of the materials and services provided by the Corporate Alliance company. Through the end of fiscal 1996, Home had originated Corporate Alliance relationships with one home improvement supply company with a total of 55 stores located in three states and with one home improvement service franchisor.

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In November 1996, Home concluded a marketing agreement with Builders Square, Inc., a subsidiary of Kmart Corporation, under which, on an exclusive basis, Home will market its MoneyLink loan products through the Builders Square stores. The agreement calls for an initial test period of six months, after which, if the program is successful, Home would, on a staged basis, implement the MoneyLink program to Builders Square customers in its 168 stores in the United States and Puerto Rico.

The following table sets forth a summary of Title I Loan production for the fiscal year ended September 30, 1996:

TITLE I Loans Funded
(Dollars in thousands)

<TABLE>
<CAPTION>

State of Origination	Correspondent Loans	Dealer Loans	Direct Loans	Total Loans	% of Total Loans
<S>	<C>	<C>	<C>	<C>	<C>
Arizona	\$ 416	\$	\$ 63	\$ 479	*
Arkansas		87	4	91	*
California	62,162		3,157	65,319	67.3%
Colorado	437			437	*
Florida	3,838		77	3,915	4.0%
Georgia	15			15	*
Hawaii	351			351	*
Idaho	65			65	*
Illinois	192			192	*
Louisiana		92		92	*
Minnesota	32			32	*
Nevada	4,151			4,151	4.3%
New Jersey	61			61	*
New Mexico	254	8	32	294	*
New York	2,259			2,259	2.3%
North Carolina	132			132	*
Ohio	415			415	*
Oklahoma		215	358	573	*
Oregon	45			45	*
Texas	458	15,038	1,914	17,410	17.9%
Utah	302			302	*
Washington	436			436	*
Total Title I Loans	\$ 76,021	\$ 15,440	\$ 5,605	\$ 97,066	100.00%

</TABLE>

*Less than one percent.

In addition to Title I Loan production, total Conventional Loan production in fiscal 1996 of \$3,105,374 was originated as follows: \$2,418,631 in Texas; \$575,054 in California; and \$111,689 in Florida.

Loan Funding. Home funds its origination and purchase of loans through a bank credit line, until loans in sufficient aggregate dollar amount have been accumulated for sale to Fannie Mae or to the secondary market. Presently, Home funds its borrowings under a Secured Note and Warehouse and Security Agreement with Guaranty Federal Bank, F.S.B. ("Guaranty Bank") that allows borrowings of up to a maximum of \$15,000,000 secured by loans having a face amount equal to approximately 98% of the purchase price of each loan, up to 100% of the principal balance of each loan it originates. Up to \$2,000,000 of the Guaranty Bank line may be used for Conventional Loans. Advances under the loan bear interest at the lesser of Guaranty Bank's prime lending rate plus one and one-half percent or Federal Funds Rate plus three and one-half percent per annum, payable monthly. This warehouse credit line expires January 31, 1997. Home expects, however, that it will be further extended upon substantially the same terms by Guaranty Bank. In the event that the credit facility is not extended, and Home is unsuccessful in obtaining a comparable warehouse facility, the ability of Home to purchase and originate loans would be significantly impaired.

Home will continue to seek to increase its warehouse credit line or secure additional warehouse credit lines, so that it will be able to finance increased loan production. No assurance can be given that the necessary warehouse lines will be obtained.

Loan Sales. Prior to October 1995, Home sold substantially all of the loans that it originated and purchased to institutional investors and their affiliates and other secondary mortgage market investors as whole loan sales. Most of the loans were subsequently sold into mortgage investment conduits. These loan sales by Home resulted in a substantial one-time cash premium, but did not permit the Company to participate in revenues over the life of the loans or in loan servicing. In October 1995, Home undertook loan servicing activities and, thereafter, sold its Title I Loans as whole loans with servicing retained. In June 1996, Home initiated Title I Loan sales to Fannie Mae pursuant to which

Home receives a reduced cash premium at the time of sale but retains up to a five percent excess servicing spread over the life of the loans above the interest rate passed through to Fannie Mae.

Loan Servicing. Home initiated Title I Loan servicing in October 1995. In March 1996, Home was approved as a seller/servicer by Fannie Mae and initiated Title I Loan sales in June 1996, retaining a fee or interest rate spread for servicing the loans it sells. At September 30, 1996, Home had a total loan servicing portfolio of \$92,743,000 of which \$29,550,000 was serviced for Fannie Mae and \$63,193,000 for others. It is the Company's strategy to retain servicing rights from future loan sales which, accordingly, are expected to become an increasingly larger component of earnings.

Markets. The principal market for Home is the large and highly fragmented home remodeling industry. According to the National Association of Home Builders, the industry is expected to grow from an estimated \$121 billion in 1994 to approximately \$181 billion in the year 2000. Total loans financed under Title I aggregated approximately \$1.2 billion during the last HUD fiscal year and are currently increasing at a significant rate. The home improvement

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market is directly affected by the number of people choosing to purchase existing rather than new homes. Currently, in excess of 80% of home purchases nationally are of existing homes. This trend, together with the overall aging of the national housing stock, among other factors, has contributed to substantial growth in the home improvement lending market in recent years.

Competition. Home competes with numerous well-known and established companies in the consumer finance market with vastly greater capital resources, more established loan production and marketing staffs and better access to capital markets. However, by focusing primarily on home improvement loans to individuals who cannot qualify for traditional financing, Home believes that it will be able to enhance its position in the market place. Competition for Correspondent Loans is primarily a function of price, available products and service. The Company believes that it will be able to expand its Correspondent Loan business by increasing the number of correspondent lenders through automated loan documentation preparation services and "on-line" access to the Company's loan approval process. The Company's proprietary automated administrative services and loan documentation system that facilitate loan applications should also assist the Company in increasing the number of independent home improvement contractors in its Dealer network, where loan production is driven primarily by service, as well as competitive bidding over interest rates. Home also believes it will be able to more effectively compete through geographical expansion of its Dealer network, thereby permitting Home to service regional and national customers throughout these areas of operation.

Regulation. All aspects of the operations of Home are subject to government regulation, supervision and licensing, including without limitation, loan origination, credit activity, interest rates and finance charges, disclosure to customers, the terms of secured transactions and the collection and handling of defaulted loans. Home holds a contract of insurance for property improvements and manufactured home loans issued by HUD which qualifies the Company for the origination and purchase of Title I Loans. In addition, each of the Correspondents and Dealers established by Home must be sponsored by Home and approved by HUD in connection with Title I Loans. Home is required to be qualified and licensed to conduct its loan activities in each state in which those activities are conducted. Among the laws and regulations to which Home is subject are the Truth In Lending Act, the Real Estate Settlement Procedures Act, the Equal Credit Opportunity Act, the Home Mortgage Disclosure Act, the Fair Credit Reporting Act, and the Federal Fair Debt Collection Act.

All of the laws and regulations applicable to the Company are subject to frequent amendment and change. There can be no assurance that these laws, rules and regulations will not be amended or changed, or other laws, rules and regulations will not be adopted in the future in a form that could make compliance much more difficult or expensive, restrict Home's ability to originate, broker, purchase or sell loans, further limit or restrict the amount of commissions, interest or other charges earned on loans originated, brokered, purchased or sold by Home or otherwise affect the business or prospects of the Company. In particular, the ability of Home to participate in Title I Loans is dependent upon the continuation of the Title I program in substantially its present form. Should the Title I program be suspended, discontinued or substantially altered as a result of cost-cutting or other efforts by the Congress of the United States, the ability of Home to participate in Title I Loans could be substantially and adversely affected.

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Facilities and Employees. Home operates out of leased facilities in its six branch offices and its home and executive offices at 6836 Austin Center Blvd., Suite 280 in Austin, Texas 78731, telephone (512) 343-8911 and telefax (512) 343-1837, which are shared with the Company. At December 16, 1996, Home

had 59 full-time employees, no part-time employees and three commissioned loan officers. None of Home's employees is a member of a labor union, and the Company believes that Home's relationships with its employees are good. The Company has no full time employees, and the various executive and administrative functions are performed on a part time basis by its directors and the employees of Home.

History of the Company

HomeOwners Mortgage & Equity, Inc. ("Home") was organized as a Delaware corporation in May 1993 to originate, purchase, sell and service home improvement and other consumer loans secured by liens on improved property. On August 26, 1994, the founders of Home, which currently conducts all of the Company's mortgage lending activities, acquired, in a reverse acquisition, approximately 83% of the outstanding common stock of the Company, a publicly owned corporate shell then named Andromeda Capital Corporation ("Andromeda") and organized in Nevada in 1980, in exchange for all of the issued and outstanding common stock of Home, and changed its name to HomeCapital Investment Corporation. In connection with such acquisition, all of the former officers and directors of Andromeda resigned and were replaced by the management of Home. See Note 1 to Notes to Consolidated Financial Statements.

ITEM 2. DESCRIPTION OF PROPERTIES.

The Company maintains its offices jointly with Home in leased space at 6836 Austin Center Blvd., Suite 280, Austin, Texas 78731. Home also leases space for its six branch offices. The Company believes that its office facilities are suitable and adequate for its current needs and that additional space is available for future expansion.

ITEM 3. LEGAL PROCEEDINGS.

The Company is not a party to, nor is any of its property subject to, any pending legal proceedings outside the ordinary course of its business.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

During the fourth quarter of fiscal 1996, the Company filed and distributed to its stockholders an Information Statement pursuant to Section 14(c) of the Securities Exchange Act of 1934, as amended, reporting that, on August 16, 1996, management and affiliates, holding the right to vote an aggregate of 6,055,711 shares of Common Stock and 1,166,667 shares of Series A Preferred Stock, or approximately 83% of the voting power of the Company, elected the nominees named in the Information Statement to the Company's Board of Directors, approved, adopted and ratified the HomeCapital Investment Corporation 1996 Stock Option Plan and appointed Coopers & Lybrand L.L.P. as independent public accountants for the Company for fiscal 1996.

PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

(a) Market Information. Prior to December 8, 1994, there was no

active public trading market in the Company's Common Stock. The Company's Common Stock was listed and began trading on the NASDAQ Bulletin Board on December 8, 1994 under the symbol ADRM. Effective November 29, 1994, the Company changed its name to HomeCapital Investment Corporation, and the Company's trading symbol was changed to HCAP on December 20, 1994.

The following tables set forth the range of high and low bid prices per share for the Company's Common Stock for the periods indicated as reported by the National Association of Securities Dealers, Inc. ("NASD"). The quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions.

<TABLE>
<CAPTION>

Year ended September 30, 1995	High	Low
	----	---
<S>	<C>	<C>
First Quarter	\$5.75	\$4.75
Second Quarter	6.00	2.50
Third Quarter	2.50	.25
Fourth Quarter	2.00	.50
Year ended September 30, 1996	High	Low
	----	---
First Quarter	\$1.13	\$0.65
Second Quarter	3.69	1.13
Third Quarter	4.38	3.38

</TABLE>

On December 16, 1996, the bid price per share for the Company's Common Stock as reported by the NASD was \$7.00.

(b) As of December 16, 1996, the approximate number of holders of record of the Company's Common Stock was 969.

(c) The Company has never paid a cash dividend on its Common Stock. It is not anticipated that any cash dividends will be paid in the near future. Pursuant to the terms of the Company's Series A Preferred Stock, no dividends may be paid on the Common Stock until all accrued dividends on the Series A Preferred Stock have been paid or funds set aside therefore. At September 30, 1996, the Company had accrued and unpaid dividends on its Series A Preferred

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Stock of \$76,932. Certain covenants contained in the Company's loan agreements also restrict the payment of dividends on the Company's Common Stock.

ITEM 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion and analysis should be read in conjunction with the Company's Consolidated Financial Statements, including the notes thereto, contained elsewhere herein.

Summary

The Company, through its operating subsidiary, Home, is a specialized consumer finance company engaged in the business of originating, purchasing, selling and servicing residential remodeling and other second mortgage loans. The Company primarily finances Title I home improvement loans and conventional consumer and home equity loans through a network of home improvement contractors, principally in the Southwestern and Western regions of the United States, and through a national network of mortgage company loan correspondents. Loans generated or purchased by Home are financed through a warehouse line of credit and then sold to third-party purchasers.

During the fiscal year ended September 30, 1996, the Company generated in excess of \$100,000,000 in loans, resulting in net income of \$2,566,223 on revenues of \$8,913,603. The Company experienced negative cash flow from operations of approximately \$3.9 million during fiscal 1996 principally due to the retainage of servicing rights on the sale of loans. However, the Company expects to continue funding its increased loan production and operational needs by obtaining additional financing through placement of subordinated debt and increased warehouse lines of credit.

The Company recognizes revenue primarily from the gain on sale of loans, loan servicing income, and interest income. From inception of its loan originations in 1993 to October 1995, the Company sold all of its loans through whole loan sales, servicing released, to third party purchasers. In October 1995, the Company began selling its loans through whole loan sales retaining the right to service the loans at a net spread of approximately 25 basis points after subservicing costs. Commencing in June 1996, after the Company became a qualified Seller/Servicer under the Fannie Mae Title I Loan purchase program, the Company sold substantially all of its Title I Loans to Fannie Mae on a servicing retained basis at a gross spread of up to 500 basis points. With the inception of Fannie Mae loan sales with servicing retained, revenues for the fourth quarter of fiscal 1996 were \$4,990,413 as compared to \$1,302,713 for the fourth quarter of fiscal 1995.

Gain on sale of loans is recognized upon delivery of loans to investors. Gain on sale of loans is calculated based upon the difference between the net sales proceeds and the carrying amount of the loans sold, together with excess servicing receivable determined on the date of sale.

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To determine the fair value of the excess servicing receivable, the Company computes the present value of the net cash flows expected to be received over the life of the loans after considering the costs of servicing the loans and the effects of estimated prepayments and credit losses, net of FHA insurance recoveries. Such calculations necessarily assume certain servicing costs, prepayment rates and credit losses. As of September 30, 1996, the excess servicing receivable totaled \$5.1 million.

There can be no assurance that the Company's estimates used to determine the fair value of excess servicing receivable will remain appropriate for the life of the loans. If actual loan prepayments or credit losses exceed the Company's estimates, the carrying value of the Company's excess servicing receivable may have to be written down through a charge to earnings. The

Company will not write up such assets to reflect slower than expected prepayments, although slower prepayments may increase future earnings as the Company will receive cash flows in excess of those anticipated.

The Company discounts net servicing cash flows on its loan sales with excess servicing at the rate it believes an independent third-party purchaser would require as a rate of return. The cash flows were discounted to present value using discount rates which averaged 12.5% for fiscal 1996. The Company has developed its assumptions based on experience with its loan portfolio, available market data and ongoing consultation with its financial advisors.

Interest income-loans represents interest received on loans in the Company's portfolio prior to their sale. Loan servicing income represents servicing fee income and other ancillary fees received for servicing loans, less the amortization of the excess servicing receivable. Servicing costs consist of fees paid to an unaffiliated company to perform the functions of loan servicing.

Total costs and expenses consist primarily of salaries and employee benefits, servicing costs, loan costs, including provision for credit losses, general and administrative expenses, occupancy costs and interest.

The Company continues to implement its business growth strategy through both product line and geographic diversification and expansion of its Correspondent and Dealer operations, in an effort to increase both loan origination volume and servicing volume. See Item 1 - "Description of Business - Business Strategy." Implementation of this strategy has increased the Company's total assets through growth in the excess servicing receivable and has been funded primarily through increased borrowings. While this growth has increased the Company's revenues through increased gain on sale of loans, loan servicing income and net interest income, it has also increased the general and administrative expense and provision for credit losses associated with the growth in loans originated and serviced. Continued increases in the Company's total assets and increasing earnings can continue only so long as origination volumes continue to exceed pay downs of loans serviced and previous period origination volumes. Additionally, the fair value of excess servicing receivable owned by the Company may be adversely affected by changes in the interest rate environment, which could affect the prepayment assumptions used to value the asset, as well as reduce the gains from the sale of those loans which the Company is committed to purchase or has in inventory. Any such adverse change in assumptions could have a material adverse effect on the Company's financial condition and results of operations.

RESULTS OF OPERATIONS

Fiscal 1996 Compared to Fiscal 1995

The Company originated \$100.2 million of loans during fiscal 1996 compared to \$61.9 million of loans during fiscal 1995, an increase of 62%. The increase is a result of the overall growth in the Company's business, including an increase in the number of active Correspondents and Dealers and an increase in the number of states served. At September 30, 1996, the Company had approximately 80 active Correspondents and 51 active Dealers, compared to approximately 55 active Correspondents and 113 active Dealers at September 30, 1995. Of the \$100.2 million of loans originated in fiscal 1996, \$97.1 million were Title I Loans and \$3.1 were Conventional Loans.

The following table sets forth certain data regarding loans originated and purchased by the Company during fiscal 1996 and 1995:

<TABLE>
<CAPTION>

	Year Ended September 30,			
	1996		1995	
<S>	<C>	<C>	<C>	<C>
Principal amount of loans:				
Correspondents:				
Title I	\$ 76,020,078	75.9%	\$ 35,062,570	56.7%
Conventional	3,105,374	3.1%	1,795,325	2.9%
Total Correspondent	79,125,452	79.0%	36,857,895	59.6%
Dealers - Title I	15,440,132	15.4%	19,686,770	31.8%
Direct - Title I	5,606,397	5.6%	5,308,198	8.6%
Total	\$100,171,981	100.0%	\$ 61,852,863	100.0%

Number of loans:				
Correspondents:				
Title I	3,399	68.2%	1,659	46.8%
Conventional	152	3.0%	79	2.2%

Total Correspondent	3,551	71.2%	1,738	49.0%
Dealers - Title I	1,124	22.5%	1,534	43.3%
Direct - Title I	312	6.3%	274	7.7%

Total	4,987	100.0%	3,546	100.0%
=====				

</TABLE>

Total revenues increased 141% to \$8.9 million for fiscal 1996 from \$3.7 million for fiscal 1995. The increase was primarily the result of the increased volume of loans originated and the sale of such loans.

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The following table sets forth the principal balance of loans sold and related gain on sale data for fiscal 1996 and 1995.

<TABLE>
<CAPTION>

	Year Ended September 30	
	1996	1995
	-----	-----
	(Dollars in thousands)	
<S>	<C>	<C>
Principal amount of loans sold:		
Title I	\$94,442	\$61,223
Conventional	3,053	1,795
Total	\$97,495	\$63,108
	=====	=====
Gain on sale of loans	\$ 7,754	\$ 3,201
Gain on sale of loans as a percentage of principal balance of loans sold	8.0%	5.0%

</TABLE>

Gain on sale of loans, as a percentage of the principal balance of loans sold, increased in fiscal 1996 over fiscal 1995, primarily due to the excess servicing component of the gain in fiscal 1996. The increase in gain on sale of loans increased from \$3.2 million in fiscal 1995 to \$7.8 million in fiscal 1996. The excess servicing component of the gain totaled \$5.2 million in fiscal 1996.

Loan servicing income, which commenced in fiscal 1996, totaled \$390,571 for the year. Such income was derived from servicing on \$91.0 million of loans sold with servicing retained during 1996. Loan servicing cost totaled \$265,546 in fiscal 1996.

Interest income on loans held for sale increased 89.8% to \$627,365 during fiscal 1996 from \$330,564 during fiscal 1995. The increase was primarily the result of the increase in the average size of the portfolio of loans held for sale.

The provision for credit losses increased from \$50,000 in fiscal 1995 to \$220,000 in fiscal 1996. The provision for credit losses is based upon periodic analysis of the portfolio, economic conditions and trends, historical credit loss experience, the borrowers' ability to repay, collateral values, and estimated FHA insurance recoveries on loans originated and sold. The increase in the provision for credit losses was due primarily to the increase in loan production in fiscal 1996. Presently, upon sale of loans by Home the purchaser assumes all credit risk, except for first payment default, fraud and certain other limited exceptions. If Home changes its loan disposition strategy in ways that increase its credit risk by securitizing or otherwise holding the loans longer in portfolio, then the provision for credit losses as a percentage of loans originated can be expected to increase.

Salaries and employee benefits increased 29% to \$2.2 million for fiscal 1996 from \$1.7 million for fiscal 1995, primarily as a result of an increase in the pay rates of employees and the increase in higher compensated employees.

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Loan costs, consisting primarily of costs for credit reports, flood reports, title reports, inspection fees, and the provision for credit losses, increased 45% to \$513,404 for fiscal 1996 from \$354,655 for fiscal 1995 due primarily to the increase in loan production of \$38.3 million from fiscal 1995 to 1996.

Total general and administrative expenses increased 39% to \$1.6 million for fiscal 1996 from \$1.2 million for fiscal 1995. The increase was primarily as a result of increases in postage and courier costs, telecommunication costs, stationary and office supplies expenses, travel costs, advertising expenses, and depreciation expense. The increase in these costs was primarily attributable to the increased volume of loan originations and loans serviced.

Interest expense increased 46% to \$462,064 for fiscal 1996 from \$315,442 for fiscal 1995. The increase was the direct result of increased loan originations and the corresponding increase in the average outstanding balance of the warehouse credit line.

Income before income taxes increased to \$3.5 million for fiscal 1996 from a loss of \$72,045 for fiscal 1995.

The provision for income taxes in fiscal 1996 was \$914,041. Prior to fiscal 1996, the Company recorded no tax provisions due to net operating losses. For the fiscal year 1996, the Company had income before income taxes of \$3.5 million as compared to a loss before income taxes in fiscal 1995 of \$72,045. A valuation allowance of \$73,230 on deferred tax assets remains at the end of fiscal 1996 due to net operating loss carryforwards generated by the Company which may not be able to utilize such loss carryforwards in future periods. The Company and Home file separate Federal tax returns.

The effective income tax provision for fiscal 1996 was 26%. This percentage differs from the federal statutory rate of 34% due primarily to the effect of state income taxes and the reduction in the valuation allowance due to the utilization of net operating loss carryforwards in fiscal 1996 by Home.

As a result of the foregoing, net income increased to \$2.6 million (\$.30 per share) for fiscal 1996 from \$(72,045) (\$.01 per share) for fiscal 1995.

FINANCIAL CONDITION

September 30, 1996 Compared to September 30, 1995

Cash increased to \$343,484 at September 30, 1996 from \$25,716 at September 30, 1995 primarily as a result of the timing of loan originations, loan sales, borrowings and proceeds from sale of common and preferred stock.

Restricted cash deposits increased 100% to \$705,754 at September 30, 1996 due to the commencement of loan servicing activities during fiscal 1996.

Loans held for sale, net, increased 164% to \$4.5 million at September 30, 1996 from \$1.7 million at September 30, 1995 primarily as a result of increased loan originations from \$61.9 million for fiscal 1995 to \$100.2 million for fiscal 1996, and the timing of loan sales.

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Excess servicing receivable increased 100% to \$5.1 million at September 30, 1996 due to the Company commencing its loan servicing activities during fiscal 1996. Excess servicing receivable is calculated using prepayment, default and interest rate discount assumptions on future servicing cash flows that the Company believes market participants would use for similar transactions. The Company believes that the excess servicing receivable recognized at the time of sale does not exceed the amount that would be received if such rights were sold at fair market value in the marketplace.

Furniture, fixtures and equipment, net, increased 73% to \$646,082 at September 30, 1996 from \$373,860 at September 30, 1996 due to increased purchases of office equipment related to facility expansion, and the expenditure of \$293,395 for the development of the Company's proprietary loan system.

Revolving lines of credit increased 171% to \$4.1 million at September 30, 1996 from \$1.5 million at September 30, 1995 due to the increase in loans held for sale at the end of fiscal 1996.

Accrued expenses and other liabilities increased to \$1.3 million at September 30, 1996 from \$122,113 at September 30, 1995, primarily as a result of increases in accrued payroll, interest and other unpaid operating costs, and the increase in the liability for unremitted funds relating to restricted cash deposits.

Income tax liability increased 100% to \$1,104,543 at September 30,

1996 as a result of significant earnings during fiscal 1996 as compared to losses in prior years.

Stockholders' equity increased to \$4.9 million at September 30, 1996 from \$28,259 at September 30, 1995 primarily as a result of net income of \$2.6 million during fiscal 1996 and, \$2.1 million in proceeds from the issuance of 1.5 million shares of Series A Preferred Stock.

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash requirements arise from loan originations and payments of operating expenses, interest and income taxes. Loan originations are initially funded principally through the Company's warehouse line of credit pending the sale of loans in the secondary market. Substantially all of the loans originated by the Company are sold. Net cash provided by (used in) the Company's operating activities for the years ended September 30, 1996 and 1995 was approximately \$(3.9) million and \$81,726, respectively. The net cash provided by (used in) the Company's operating activities was funded primarily from the reinvestment of proceeds from the sale of loans totaling \$99.9 million and \$64.3 million for the years ended September 30, 1996 and 1995, respectively.

Adequate credit facilities and other sources of funding, including the ability of the Company to sell loans in the secondary market, are essential for the continuation of the Company's loan origination operations. At September 30, 1996, the Company had a \$10 million warehouse line of credit (the "Warehouse Line"), which was increased to \$15 million on October 15, 1996. The Warehouse line expires January 31, 1997. At September 30, 1996, \$3.9 million

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was outstanding under the Warehouse Line and \$6.1 million was available. The Warehouse Line, as amended, bears interest at the lower of prime plus 1.5% per year or the Federal funds rate plus 3.5% per year and is secured by loans prior to sale. The agreement with the lender requires the Company to maintain a minimum adjusted tangible net worth of \$3.4 million. In addition, the Company secured a \$3.0 million working capital line of credit (the "Working Capital Line") on November 8, 1996 from the same lender, which is collateralized by a pledge of the Company's excess servicing receivable. The Working Capital Line has a 12-month revolving credit period, bears interest, payable monthly, at prime plus 2.25% per year, and requires the Company to maintain a minimum adjusted tangible net worth of \$3.4 million. Borrowings under the Working capital line cannot exceed the lesser of (i) the book value of the excess servicing receivable or, (ii) 50% of the appraised value of the excess servicing receivable as determined by the lender. While the Company believes that it will be able to maintain its existing credit facilities and obtain replacement financing as its credit arrangements mature and obtain additional financing, if necessary, there can be no assurance that such financing will be available on favorable terms, or at all.

Until October 1995, the Company's principal source of liquidity was the sale of whole loans, service released. While this enabled the Company to meet its operating cash requirements, it limited the Company's growth potential and return on its loan originations. To remedy this situation, the Company embarked on a strategy in fiscal 1995 that would enable the Company to position itself to retain the servicing rights associated with its loan originations and look to various other sources to securitize its loan production, such as sales to Fannie Mae under the Title I Loan program and the securitized sale of loan pools in the secondary market. The Company was approved as a Seller/Servicer under the Fannie Mae Title I Loan purchase program in March 1996 and required to obtain expanded warehouse financing and additional capital to support loan sales to Fannie Mae. The Company issued 1.5 million shares of Series A Preferred Stock in June, 1996 for cash of \$1.9 million and conversion of \$250,000 principal amount of outstanding debt. (See Note 10 to the Consolidated Financial Statements). During fiscal 1996 the Company has sold \$29.7 million in loans to Fannie Mae, retaining all servicing rights. The Company intends to continue selling substantially all of its qualified Title I Loans to Fannie Mae until it is able to privately assemble and securitize such loans in the secondary market on a cost effective basis. Any such securitization program would necessarily entail its own liquidity demands, including without limitation, funding of reserves and other credit enhancements, income taxes and significant issuance costs, and require larger warehouse lines of credit and additional capital to meet rating agency requirements and the increased liquidity demands.

While the increase in its warehouse line and additional capital have enabled the Company to significantly increase its loan originations and sales to Fannie Mae, such sales, with servicing retained, create additional short-term cash requirements. Sales to Fannie Mae are generally made at a lower premium, and include the retention for the life of the loan of up to 500 basis points of the spread between the coupon rate of the loans and the pass-through rate to Fannie Mae, and must be accounted for on a basis, as described above, that generates a much larger gain on sale for tax purposes. This gain is subject to federal and state income tax currently payable, even though the cash from the related loan sales will be received over the life of the loans. Accordingly, in order for the Company to continue to grow its loan originations and servicing

portfolio, it must constantly raise additional capital through the sale of debt and/or equity securities until the earnings from its servicing portfolio are adequate to support such growth.

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During fiscal 1996, the Company used \$3.9 million of cash in operating activities, and used \$387,408 in investing activities, primarily for furniture, fixtures and equipment, including \$293,395 for the further development of the Lot\$Pro computer system, and provided \$4.6 million in financing activities through increasing usage of its revolving line of credit and the issuance of Series A Preferred Stock.

The Company expects to spend approximately \$500,000 for additional furniture, fixtures and equipment in fiscal 1997 for the expansion of its lending network, and approximately \$150,000 for additional upgrades and enhancements to its computer system.

The Company believes that it will need to raise approximately \$20 million in debt and/or equity funds to support its anticipated growth in fiscal 1997. There can be no assurance that the Company will be able to raise such funds. The failure to raise such funds may impair the Company's ability to implement its business strategy and grow its business, and may have a material adverse effect on the financial condition, results of operations and liquidity of the Company.

EFFECTS OF CHANGING PRICES AND INFLATION

The Company's operations are sensitive to increases in interest rates and to inflation. Increased borrowing costs resulting from increases in interest rates may not be immediately recoverable from prospective purchasers. The Company's loans held for sale consist primarily of fixed-rate long term loans that do not increase or decrease as a result of changes in interest rates charged to the Company. In addition, delinquency and loss exposure may be affected by changes in various regional economies, such as California and Texas, where the Company has significant loan concentrations, or in the national economy.

RECENT ACCOUNTING PRONOUNCEMENTS

In March 1995, the Financial Accounting Standards Board (the "FASB") issued Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of" ("SFAS No. 121"). SFAS No. 121 requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. SFAS No. 121 is effective for fiscal years beginning after December 15, 1995. In the event that facts and circumstances indicate that the cost of long-lived assets other than financial instruments and deferred tax assets may be impaired, an evaluation of recoverability would be performed. If an evaluation of impairment is required, the estimated future undiscounted cash flows associated with the asset would be compared to the asset's carrying amount to determine if a write-down to market value or discounted cash flow value is required. The Company believes SFAS No. 121 will have no material impact on the Company's results of operations or financial condition as a result of implementing the pronouncement during fiscal 1997.

In May 1995, the FASB issued SFAS No. 122 which requires that upon sale or securitization of servicing-retained finance contracts, the Company capitalize the cost associated with the right to service the finance contracts based on their relative fair values. Fair value is determined by the Company based on the present value of estimated net future cash flows related

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to servicing income. The cost allocated to the servicing right is amortized in proportion to and over the period of estimated net future servicing fee income. The Company has not determined the effect on its operating results or financial condition when it adopts SFAS No. 122, which is required in fiscal 1997.

In October 1995, the Financial Accounting Standards Board issued SFAS No. 123, "Accounting for Stock-Based Compensation." SFAS No. 123 establishes fair value-based financial accounting and reporting standards for all transactions in which a company acquires goods or services by issuing its equity instruments or by incurring a liability to suppliers in amounts based on the price of its common stock or other equity instruments. The Company will continue to account for stock-based compensation as prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" and will make the required disclosures in its 1997 fiscal year financial statements.

The FASB has issued SFAS No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." This statement provides new accounting and reporting standards for transfers and

servicing of financial assets and extinguishments of liabilities. This statement also provides consistent standards for distinguishing transfers of financial assets that are sales from transfers that are secured borrowings and requires that liabilities and derivatives incurred or obtained by transferors as part of a transfer of financial assets be initially measured at fair value. It also requires that servicing assets be measured by allocating the carrying amount between the assets sold and retained interests based on their relative fair values at the date of transfer. Additionally, this statement requires that the servicing assets and liabilities be subsequently measured by (a) amortization in proportion to and over the period of estimated net servicing income and (b) assessment of impairment or increased obligation based on their fair values. The Company has not adopted the new standard for the current period, but must adopt the new requirements effective January 1, 1997. The Company has not determined the effect on results of operations or financial condition in the period of adoption.

SEASONALITY

Home improvement loan volume tracks the seasonality of home improvement contract work. Volume tends to build during the spring and early summer months, particularly with regard to pool installations. A decline is typically experienced in late summer and early fall until temperatures begin to drop. This change in seasons precipitates the need for new siding, window and insulation contracts. Peak volume is experienced in November and early December and declines dramatically from the holiday season through the winter months. Debt consolidation and home equity loan volume are not impacted by seasonal climate changes and, with the exclusion of the holiday season, tend to be stable throughout the year.

ITEM 7. FINANCIAL STATEMENTS.

The financial statements and exhibits are listed at Item 13 "Exhibits and Reports on Form 8-K."

ITEM 8. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT.

Directors and Executive Officers

The following table sets forth the names and ages of all Directors and executive officers of the Company and their positions with the Company. Stephen Pyhrr and Peter Pyhrr are brothers. It is expected that directors and officers serving as of December 16, 1996, will hold office until the next annual meeting of stockholders and until their successors have been elected and qualified.

<TABLE>

<CAPTION>

Name	Age	Position	and/or Director of the Company Since
John W. Ballard	59	Chairman, Board of Directors; President; Chief Executive Officer	August 26, 1994/(1)/
E. Jeff Bomer	60	Director and Secretary	August 26, 1994
Gary J. Davis	43	Vice Chairman, Board of Directors	August 26, 1994
J. Rolfe Johnson	57	Director	December 10, 1996
Charles R. Leone, III	37	Director	June 18, 1996
Robert R. Neyland	43	Director	June 18, 1996
Tommy M. Parker	47	Treasurer	June 27, 1996
Peter A. Pyhrr	54	Director	August 26, 1994
Stephen A. Pyhrr	52	Director	August 26, 1994
Walter W. Stoepfelwerth	63	Director	June 27, 1996

/(1)/ Mr. Ballard was appointed as Chairman of the Company's Board of Directors on November 3, 1994.

/(2)/ Ms. Watkins resigned from the Company's Board of Directors on December 10, 1996.

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Mr. Ballard has been President and Chief Executive Officer of Home since June 1993. From April 1989 through May 1993, Mr. Ballard was President and Chief Executive Officer of American Savings Mortgage Company (a second lien mortgage company).

Mr. Bomer has been Chairman of the Board of Directors of Home since July 1993. Mr. Bomer was the President and Chief Executive Officer of Austin Real Estate Services, Inc. dba Davis & Associates (a real estate services company) from September 1985 until its merger in July 1995 into SynerMark Holdings, L.P. Currently, Mr. Bomer is President of SynerMark Realty Services, Inc., a subsidiary of Syner Mark Holdings, L.P.

Mr. Davis was a consultant to Home from November 1993 through March 31, 1996. Since March 1974, Mr. Davis has been a partner with Curtis Davis Realtors (a real estate firm). Since September 1991, Mr. Davis has been President of Investment Property Advisors, Inc. (a real estate investment and management company). From September 1990 to September 1991, Mr. Davis was a consultant to Culpepper Properties (a real estate investment and development company).

Mr. Johnson is an attorney in Houston, Texas, who specializes in corporate and securities law practice. Since January 1991, Mr. Johnson has been sole shareholder of J. Rolfe Johnson, P. C., which has provided legal services to the Company since November, 1995.

Mr. Leone III has been the President of Penntex Investments, Inc., general partner of HCI Equity Partners, L. P. ("HCI") since January 1992, and has been President of Federal Services Corporation (a loan servicing and venture capital firm) since October 1990.

Mr. Neyland has been the sole manager of HCIE, L.L.C., a general partner of HCI since May 1996, and a partner of Living Suites (a real estate management firm) from September 1990 to June 1996. Mr. Neyland is also a Director of Capital Communities Corporation.

Mr. Parker has been Executive Vice President, Chief Financial Officer and Chief Operating Officer of Home since June 1996. Mr. Parker served as Vice President of Finance and Chief Financial Officer of Whataco, Inc. (a fast food franchisee) from September 1991 to June 1996, prior to which he was an independent consultant to the financial services industry from May 1990.

Mr. Peter Pyhrr has been the President of Hospital Forms & Systems Corp. since October 1979, the President of Magnetic Ticker & Label Corp. from July 1982 and President of HFS Corp. (a business forms company) from July 1982.

Mr. Stephen Pyhrr was a partner with Austin Real Estate Services dba Davis & Associates, (a real estate services company) from June 1974 until its merger in July, 1995 into SynerMark Holdings, L.P. Presently Mr. Pyhrr is President of SynerMark Investments, Inc. (a real estate investment company), a subsidiary of SynerMark Holdings, L.P.

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Mr. Stoeppelwerth has been a co-founder of HomeTech Information Systems, Inc. (a construction industry publisher) since 1965, a nationally recognized remodeling industry spokesman and educator, and a noted columnist and author of publications on home remodeling and renovations.

Ms. Watkins was employed in professional securities trading and portfolio management activities by Paragon Associates (Dallas - 1985-1988), Republic National Bank (Dallas - 1980-1985) and Texas Commerce Bank (Houston - 1974-1980). Ms. Watkins has been engaged as a homemaker and leader in community parent and charitable organizations since March 1988.

Compliance with Section 16(a) of the Securities Exchange Act of 1934

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's Officers and directors, and persons who beneficially own 10% of a registered class of the Company's securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission. Based solely

on a review of the copies of such forms furnished to the Company, the Company believes that all persons subject to the reporting requirements have filed the required reports pursuant to Section 16(a) on a timely basis with the SEC, except as follows:

Each of John W. Ballard, JDB, SDP and PAP filed a report in October 1995 (for the month of September 1995) reporting the purchase of 48,241 shares of common stock of the Company; whereas, in fact, each should have reported only the right to acquire such shares. Pursuant to such rights, each such person acquired an aggregate of only 15,091 shares over the next three months, and the rights to acquire the remaining shares were terminated without being exercised. As a result, each of such persons failed to file three monthly reports to reflect the purchase transactions.

Certain Legal Proceedings

Tommy M. Parker, who recently joined the Company as Executive Vice President, was an officer, director and shareholder of Mississippi Savings Bank of Batesville, Mississippi, at the time that it failed and was placed in receivership by the Resolution Trust Corporation ("RTC") in 1990. The RTC and the Office of Thrift Supervision ("OTS") alleged that Mr. Parker and other principals of the bank received excessive compensation, improper shareholder distributions and engaged in imprudent lending and management practices in light of the financial condition of the bank. Subsequent administrative and judicial proceedings, to the extent that they involved Mr. Parker, were resolved in October 1992 pursuant to a Compromise Settlement Agreement and Release with the RTC and a Stipulation and Consent with the OTS. Mr. Parker entered into the settlement and consent to avoid the time and expense of enforcement proceedings and litigation and neither admitted nor denied the allegations of the RTC and the OTS. Among other things, the joint settlement provided that, in consideration of discharge of certain obligations of Mr. Parker to the bank, Mr. Parker was required to make a monetary payment to the RTC and convey to the RTC or its nominees an undivided interest in certain non-cash or "in-kind" dividends received by Mr. Parker as a shareholder of the bank. In addition, Mr.

Parker agreed that he would not, without regulatory consent, participate in the conduct of the affairs or distribution of securities of a federally insured depository institution.

ITEM 10. EXECUTIVE COMPENSATION.

The following table sets forth information concerning the compensation paid (or earned by the named individuals) by the Company and Home for the fiscal years ended September 30, 1996, 1995 and 1994 to the chief executive officer. No other executive officers were paid compensation in excess of \$100,000 during any year of the covered period.

<TABLE>
<CAPTION>

Name and Principal Position	Year	Salary(\$)	Bonus(\$)	Other Annual Compensation / (2) / (\$)	Stock Options (# of Shares)
JOHN BALLARD/(1)/ Chairman of the Board; President; Chief Executive Officer	1996	150,000	--	12,028	
	1995	150,000	--	14,384	
	1994	150,000	--	18,655	409,668/(3)/

</TABLE>

(1) Salaries and other compensation to Mr. Ballard were paid by Home as compensation for his services as President and Chief Executive Officer of Home. See "Executive Contracts" below. Additionally, Home provides and maintains an automobile and mobile telephone, and provides health and group life insurance and reimbursement of business-related expenses to Mr. Ballard. Mr. Ballard received no additional compensation for serving as Chairman of the Board and President of the Company.

(2) Includes \$3,213, \$4,984 and \$6,700 for fiscal years 1996, 1995 and 1994, respectively, representing the value of insurance premiums paid by Home for Mr. Ballard; \$7,942, \$8,789 and \$11,845 for fiscal years 1996, 1995 and 1994, respectively, representing the cost to Home of providing and maintaining an automobile and mobile phone for Mr. Ballard; and \$873, \$611 and \$110 for fiscal years 1996, 1995 and 1994, respectively, for country club membership fees paid by Home for Mr. Ballard.

(3) In June, 1993, Mr. Ballard was granted a restricted stock option to purchase 555 shares of Home common stock in connection with his employment

agreement ("Ballard Home Option"). In August, 1995, in connection with the reverse acquisition of the Company's predecessor by former stockholders of Home (the "Home Transaction"), the Ballard Home Option was canceled, and Mr. Ballard was granted a fully-vested, seven-year option to acquire 409,668 shares of Company Common Stock at an exercise price of \$.1626 per share. Mr. Ballard was not granted nor did he exercise any options during the 1996 fiscal year, and at September 30, 1996, the unexercised options held by Mr. Ballard had a determined value of approximately \$2,084,145 based upon the closing bid price of \$5.25 per share of Common Stock on the OTC Bulletin Board of the National Association of Securities Dealers, Inc. at such date.

Executive Contracts

Effective June 21, 1993, Home entered into a five year employment agreement with John W. Ballard as President and Chief Executive Officer of Home ("Ballard Employment Agreement") providing for (i) an annual base salary of \$150,000 and (ii) an annual incentive bonus equal to 25% of his base salary if the operating results of Home exceed certain earnings projections. If earned the incentive bonus is payable in common stock or cash at the election of the employee. Mr. Ballard was granted a restricted stock option for the purchase of 555 shares of Home common stock vesting over the term of the Ballard Employment Agreement ("Ballard Home Option"). The Ballard Home Option was canceled and converted into a fully-vested option to purchase 409,668 shares of the Company Common Stock at \$.1626 per share on August 26, 1994 in connection with the Home Transaction. Pursuant to the Ballard Employment Agreement, Mr. Ballard also purchased 555 shares of Home common stock, which were subsequently converted to 409,671 shares of the Company's Common Stock in connection with the Home Transaction, in consideration for the \$55,500 five year promissory note of Mr. Ballard, bearing interest at six percent per annum and payable interest only until maturity. In the event Mr. Ballard is terminated for "cause" (as defined in the Ballard Employment Agreement) he is not entitled to receive any further compensation other than that which is earned prior to the termination date. In the event Mr. Ballard is terminated by Home other than for "cause," or in the event that Mr. Ballard terminates the Ballard Employment for "good reason" (as defined in the Ballard Employment Agreement), then he is entitled to receive all compensation to which he would be entitled during the remaining term of the Ballard Employment Agreement, including his base salary of \$150,000. Mr. Ballard also serves as Chairman of the Board, President and Chief Executive Officer of the Company for no additional compensation.

Home has entered into an employment agreement with Tommy M. Parker, who serves as an Executive Vice President of Home with the functions of Chief Operating Officer and Chief Financial Officer of Home for a term of three years commencing June 1, 1996, that is automatically renewable from year to year unless terminated on 90-days notice ("Parker Employment Agreement"). Mr. Parker is entitled to (i) a base salary of \$125,000 for the first year increasing by \$25,000 each year for the next two years and thereafter during any renewal term at the discretion of the Board of Directors, but not less than the base salary of the previous year; (ii) an annual incentive bonus equal to 25% of the aggregate bonus pool under an incentive bonus plan to be established by the Board of Directors of Home based upon the consolidated net income of the Company; (iii) performance bonuses equal to one-half percent of the net proceeds to the Company from its next public offering of securities for cash, and two percent of net savings to the Company each year of income taxes resulting from tax planning strategies introduced by Mr. Parker; and (iv) a one-time grant of options to purchase 150,000 shares of Common Stock under the Company's 1996 Stock Option Plan. Mr. Parker is entitled to participate in group health, life insurance and other employee benefit plans, reimbursement of business-related expenses, an automobile allowance of \$500 per month and mobile telephone, reimbursement for expenses of maintaining his certificate and license with the Texas State Board of Public Accountancy, and a signing or relocation bonus of \$5,000 plus moving expenses (and an amount equal to federal income taxes payable on such payments) and closing costs of the purchase of a residence in Austin, Texas. Mr. Parker also serves as Executive Vice President and Treasurer of the Company for no additional compensation.

Compensation to Directors

During the fiscal years ended September 30, 1995 and 1996, Directors of the Company did not receive any compensation for their services as Directors. Directors are reimbursed for travel expenses incurred in attending meetings.

Messrs. Charles R. Leone, III and Robert R. Neyland, Directors of the Company, have been engaged as financial and business development consultants to the Company for a one-year period for annual fees of \$20,000 each pursuant to an agreement effective April 12, 1996. Messrs. Leone and Neyland were nominated as

the nominees of HCI to the Board of Directors of the Company pursuant to the HCI Agreement more fully described under "Management Relationships and Transactions" below. During fiscal 1996 each of Messrs. Leone and Neyland received the \$20,000 due from the Company under terms of their consulting agreements.

The Board of Directors of the Company approved a three year incentive plan to encourage and compensate Directors of the Company or Home for developing customer relationships on behalf of Home with home improvement contractors, suppliers, distributors and home improvement retailers that result in new sources of loan production for Home. A Director will be entitled to be compensated in the amount of one percent for the first two years and one-half percent for the third year of loans funded by Home during each year from sources initiated by the Director. In order to be eligible for incentive compensation with respect to loans generated through suppliers and distributors of goods and services to the home remodeling industry, such lumber yards and home improvement product chain stores, a Director must have participated with Home in producing training seminars and workshops for employees of the customer.

Prior to his becoming a Director, the Company had agreed to compensate Walter W. Stoepfelwerth for featuring or promoting home improvement loan products of Home at seminars and workshops for home improvement contractors and industry suppliers of goods and services. Mr. Stoepfelwerth receives \$2,000 plus expenses for each event. Total payments to Mr. Stoepfelwerth under this arrangement in fiscal 1996 were \$20,725. Under terms of an agreement with Gary J. Davis, another Director of the Company, Mr. Stoepfelwerth has agreed to allocate one-half or \$1,000 out of his \$2,000 event fee to Mr. Davis as compensation for those events in which Mr. Davis participates. Under terms of the Directors Compensation Plan described above, Mr. Stoepfelwerth qualified for incentive compensation related to the addition of one national home improvement services franchisor as a potential loan source and the execution of a loan marketing agreement with Builders Square effective November 27, 1996. Accordingly, Mr. Stoepfelwerth will be entitled in the subsequent three years to compensation under the Directors Compensation Plan to the following fees for all loans originated by Home: (i) by or through the home improvement franchisor, one-half of one percent in years one and two and one-quarter of one percent in year three of all loans funded; and (ii) through Builders Square, one percent in years one and two and one-half percent in year three of all loans funded. Mr. Stoepfelwerth has agreed to allocate to Mr. Davis, for his efforts in obtaining and maintaining the relationship, fifty percent (50%) of all fees payable under the Directors Compensation Plan from Home by virtue of the Builders Square relationship.

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Mr. Gary J. Davis, a Director of the Company, served as a full-time consultant to Home on marketing and new business development from November, 1993 through March 31, 1996 at a monthly consulting fee of \$6,000, of which \$78,000 was received during the 1995 fiscal year and \$42,125 was received during the 1996 fiscal year. While serving as consultant, Mr. Davis was provided health insurance and reimbursement of business-related expenses. Effective November, 1996 the Company again retained Mr. Davis for up to one year as a consultant to Home's loan marketing program with Builders Square. Mr. Davis' consulting agreement calls for: (i) a monthly consulting fee of \$10,000; (ii) reimbursement of business-related expenses; (iii) payment of family health coverage in an amount not to exceed \$450 per month; (iv) provision of an executive office and assistant; and (v) a cancellation provision at the option of Home after the initial six months of the agreement. Also, included in the consulting agreement is a provision allowing Home to offset any amounts paid under the consulting agreement against amounts otherwise payable to Mr. Davis through his fifty percent participation with Mr. Stoepfelwerth under the Directors Compensation Plan relative to the Builders Square relationship. Under the Directors Compensation Plan Mr. Davis qualified for compensation related to Home's addition of the national home improvement franchisor earlier noted. Accordingly, in addition to the \$1,000 for participation in each training event, Mr. Davis will be entitled in the subsequent three years for all loans originated by Home by or through the national home improvement franchisor to one-half percent (1/2%) in years one and two and one-quarter percent (1/4%) in year three of all loans funded.

First Advisors, Inc. ("First Advisors"), an affiliate in which Mr. Davis is the sole shareholder, a director and president, has entered into a Marketing Agreement with a national company that develops and markets Automated Loan Machines ("ALMs"), an electronic technology that enables financial institutions to automate the processing and consummation of consumer loans and other financial services at the point of sale ("Marketing Agreement"). Under the Marketing Agreement First Advisors may market ALMs to financial institutions, such as Home, to develop and implement a strategy for the deployment of ALMs at home improvement retail locations such as Builders Square. In the event that ALMs are successfully deployed First Advisors is entitled under the Marketing Agreement to certain fees and other compensation. However, during the period that Mr. Davis is employed by the Company or Home or while he serves as an officer or director or is otherwise an affiliate of the Company or Home, Mr. Davis and First Advisors have assigned to Home any compensation to which Mr. Davis or First Advisors may be entitled under the Marketing Agreement.

The HomeCapital Investment Corporation 1996 Stock Option Plan ("Stock Option Plan") was approved, effective as of March 21, 1996, by shareholder action without a meeting on August 16, 1996, to provide options to purchase shares of Common Stock as financial incentives to directors, executive officers and other key employees of the Company and Home. The Stock Option Plan provides that up to 500,000 shares of Common Stock may be issued upon exercise of options granted under the Stock Option Plan, subject to adjustment to reflect stock splits, stock dividends and similar capital stock transactions.

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The Stock Option Plan will be administered by a committee of non-employee directors of the Company appointed by the Company's Board (the "Stock Option Committee"), each of whom is required to be a "non-employee director" within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934, as amended. The Stock Option Committee has the authority to interpret the Stock Option Plan; to determine the terms and conditions of options to be granted under the Stock Option Plan ("Options"); to prescribe, amend and rescind the rules and regulations of the Stock Option Plan; and to make all other determinations necessary or advisable for the administration of the Stock Option Plan. Options may be granted under the Stock Option Plan until March 21, 2006.

Options granted under the Stock Option Plan may be incentive stock options ("Incentive Options"), which are intended to qualify under the provisions of Section 442 of the Internal Revenue Code of 1986, as amended (the "Code"), or non-qualified stock options ("Non-qualified Options"), which do not so qualify. The Stock Option Committee selects the eligible persons to whom Options will be granted and determines the dates, amounts, exercise prices, vesting periods and other relevant terms of the Options, provided that the exercise price for each Option that is to be an Incentive Option is determined by the Committee at a price per share not less than the fair market value of Common Stock on the date of the grant. Options granted under the Stock Option Plan are generally not transferable during the life of the optionee.

Options granted under the Stock Option Plan vest and become exercisable as determined by the Stock Option Committee in its discretion. Options granted under the Stock Option Plan may be exercised at any time after they vest and before the expiration date determined by the Stock Option Committee, provided that no Option may be exercised more than ten years after its grant (five years after grant in the case of Options granted to persons owning beneficially ten percent or more of the capital stock of the Company). Furthermore, in the absence of a specific agreement to the contrary, Options will generally terminate immediately upon termination of the recipient's employment with the Company for just cause, or twelve months after death or permanent disability, or three months after termination of employment for any other reasons. The aggregate fair market value (determined at the time of the grant) of the stock underlying Incentive Options that become exercisable in any calendar year may not exceed \$100,000; Options in excess of this limit are treated as Non-qualified Options.

If the Company consummates any reorganization or consolidation, each outstanding Option will, upon exercise, entitle the optionee to receive the same consideration received by holders of Common Stock in such reorganization or merger or consolidation, with appropriate price adjustments. In case of certain changes in control of the Company, any Options specified at any time by the Stock Option Committee or the Board in its discretion shall vest and become exercisable. In addition, in case of certain changes in control involving the liquidation of the Company, the disposition of substantially all of the Company's assets, or certain reorganizations or mergers, if and to the extent that such Options are not, in connection with the change in control, to be cashed-out at full value, continued by the Company as the surviving corporation, assumed by the successor corporation or parent thereof, or replaced with comparable options or other compensation programs. The Board of Directors has not yet selected and identified a Stock Option Committee. In the meanwhile, options may be granted under the Stock Options Plan by the Board of Directors.

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Shares of Common Stock purchased upon the exercise of Options under the Stock Option Plan generally may not be sold until a date that is two years from the date the Option was granted or one year from the date the shares were purchased, whichever is later. Moreover, the shares of Common Stock subject to Options under the Stock Option Plan have not been registered under applicable federal and state securities laws, and the Company is under no obligation to do so. Accordingly, in the absence of such registration or qualification, such shares of Common Stock may only be sold or transferred in accordance with exemptions from registration under applicable securities laws.

The Board of Directors of the Company may amend, modify or terminate

the Stock Option Plan at any time without adversely affecting any Option granted under the Stock Option Plan and provided that, without approval of stockholders of the Company, no action of the Board of Directors shall increase the total number of shares eligible to be issued under the Stock Option Plan, change the class of individuals eligible to receive Options, change the provisions regarding determination of the exercise price, extend the period during which Options may be granted or the maximum period after the date of grant of Options during which Options may be exercised, or otherwise materially increase the cost of the Stock Option Plan or materially increase the benefits of the participants under the Stock Option Plan.

During fiscal 1996, the Board of Directors of the Company granted Options to two employees of Home for a total of 200,000 shares of Common Stock, all of which Options were outstanding on December 16, 1996.

Provisions Upon Termination of Employment

A copy of Mr. Ballard's Employment Agreement with Home is included as Exhibit 10.13 to the Company's Annual Report on Form 10-KSB for the year ended September 30, 1994. This Agreement is for a term of five years expiring June, 1998. Its terms include an annual base salary of \$150,000 per annum. In the event that Mr. Ballard is terminated for "cause" (as defined in the Agreement) he is not entitled to receive any further compensation other than that which was earned up to the termination date. In the event that Mr. Ballard is terminated by Home other than for "cause," he is entitled to receive all compensation to which he would be entitled during the remaining term of the Agreement, including his annual base salary of \$150,000 per annum.

401(K) Profit Sharing Plan

Home sponsors a 401(k) plan, a savings and investment plan intended to be qualified under Section 401 of the Code. All employees of Home (including officers and directors who are employees) who are at least 20 1/2 years of age may participate in the plan. Participating employees may make pre-tax contributions, subject to limitations under the Code, of a percentage (not to exceed 18%) of their total compensation and such amounts (and the investment earnings thereon) will be fully vested at all times. The Company, in its sole discretion, may make matching contributions (the amount, if any, to be determined by the Board of Directors with respect to each year) for the benefit of all participants who make pre-tax contributions, as well as discretionary contributions (in such amounts, if any, as may be determined by the Board of Directors) for the benefit of all participants regardless of whether

they elect to make pre-tax contributions to the 401(k) plan. Any such matching or discretionary contributions (and the investment earnings thereon) will vest 20% after two years of service and an additional 20% per year of service thereafter until fully vested after six years of service, provided that such contributions become 100% vested upon the employee's death, disability or retirement. The plan was inaugurated January 1, 1995, and Home has not authorized or made any contributions to the plan through December 16, 1996.

ITEM 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

On December 16, 1996, the Company had 7,921,858 shares of common stock outstanding. The following table sets forth certain information as of December 16, 1996, of the shares of the Company's Common Stock beneficially owned by (i) each person who, as of December 16, 1996, was known by the Company to own beneficially more than five percent of any class of its capital stock, (ii) the individual Directors of the Company, and (iii) the officers and Directors of the Company as a group.

<TABLE>

<CAPTION>

Name and Address of

Beneficial Owner

Title of Class

Number of Shares

Percent of Class/ (1)/

<S>	<C>	<C>	<C>
John W. Ballard	Common	909,368/ (2) /	10.92%
John W. & Jeannie G. Ballard Family Partnership 6836 Austin Center Blvd. Suite 280 Austin, Texas 78731	Common	498,700	6.30%
E. Jeff Bomer	Common	1,074,039/ (3) /	13.56%
JDB Investments, Ltd. ("JDB") 5929 Balcones Drive Austin, Texas 78731	Common	924,757	11.67%

Gary J. Davis 713 Main P.O. Box 738 Gatesville, Texas 76528	Common	746,700	9.43%
J. Rolfe Johnson 1900 West Loop South Suite 1175 Houston, Texas 77027	Common	--	--%
Charles R. Leone, III	Common	1,000,000/ (4) /	11.21%
	Preferred	1,000,000/ (5) /	66.67%
Penntex Services, Inc. ("Penntex")	Common	1,000,000/ (4) /	11.21%
	Preferred	1,000,000/ (5) /	66.67%

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Name and Address of Beneficial Owner	Title of Class	Number of Shares	Percent of Class/ (1)/
<S>	<C>	<C>	<C>
HCI Equity Partners, L.P. ("HCI") 3330 Oakwell Court Suite 100 San Antonio, Texas 78218	Common	1,000,000/ (4) /	11.21%
	Preferred	1,000,000/ (5) /	66.67%
Robert R. Neyland	Common	1,000,000/ (4) /	11.21%
	Preferred	1,000,000/ (7) /	66.67%
HCIE, L.L.C. ("HCIE") 12222 Merit Drive, Suite 1750 Dallas, Texas 75251	Common	1,000,000/ (4) /	11.21%
	Preferred	1,000,000/ (7) /	66.67%
Stephen A. Pyhrr	Common	1,261,672/ (8) /	15.84%
	Preferred	43,335/ (9) /	2.89%
Daphne Pyhrr	Common	1,259,837/ (10) /	15.82%
	Preferred	41,500/ (11) /	2.77%
SDP Investments, Ltd. ("SDP") 6850 Austin Center Blvd. Suite 220 Austin, Texas 78731	Common	1,235,004/ (12) /	15.56%
	Preferred	16,667	1.11%
Peter A. Pyhrr	Common	1,593,220/ (13) /	20.11%
PAP Investments, Ltd ("PAP") 8719 Diplomacy Row Dallas, Texas 75247	Common	1,593,220	20.11%
Walter W. Stoepfelwerth 5161 River Road Bethesda, Maryland 30816	Common	--	--%
Charles R. Sutherland 3650 Habersham Road #102 Atlanta, Georgia 30805	Common	679,067/ (14) /	8.57%
Directors and Executive Officers as a Group (14 persons)	Common	6,625,664/ (15) /	70.37%
	Preferred	1,084,000	72.27%

/(1)/ Based upon 7,921,858 shares of Common Stock outstanding on December 16, 1996, adjusted to include the number of authorized but unissued shares that each beneficial holder has the right to acquire within 60 days pursuant to the exercise of options or warrants or conversion of Preferred Stock. Unless expressly stated, no shares of Preferred Stock are held of record or beneficially by the persons named.

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/(2)/ Includes 1,000 shares held of record; 498,700 shares held by the Ballard Family Partnership of which John Ballard is general partner; and 409,668 shares issuable upon exercise of fully-vested Company options granted upon cancellation of the Ballard HOME option granted pursuant to the Ballard Employment Agreement.

- /(3)/ Includes 924,757 shares beneficially owned by JDB and 149,282 shares held as community property by E. Jeff Bomer, who is the general partner of JDB.
- /(4)/ Includes 1,000,000 shares of Common Stock issuable upon conversion of 1,000,000 shares of Preferred Stock held by HCI.
- /(5)/ Includes 1,000,000 shares of Preferred Stock held by HCI, of which Penntex is a general partner and of which Mr. Leone is a Director and President.
- /(6)/ Shares held by HCI may be deemed to be held by its general and limited partners as a group.
- /(7)/ Includes 1,000,000 shares of Preferred Stock of HCI, of which HCIE is a general partner and of which Mr. Neyland is a managing member.
- /(8)/ Includes 1,235,004 shares held of record or beneficially by SDP, of which 16,667 shares are issuable upon conversion of Preferred Stock held by SDP, of which Stephen Pyhrr is a general partner, and 26,668 shares issuable upon conversion of 13,334 shares of Preferred Stock held by each of the Heather D. La Rue Irrevocable Trust and The Steven D. La Rue Irrevocable Trust (collectively, the "La Rue Trusts"), of which Stephen Pyhrr is trustee.
- /(9)/ Includes 16,667 shares of Preferred Stock held by SDP and an aggregate of 26,668 shares of Preferred Stock held by the La Rue Trusts.
- /(10)/ Includes 24,833 share issuable upon conversion of Preferred Stock held as separate property and 1,235,004 shares held of record or beneficially by SDP, including 16,667 shares issuable upon conversion of shares of Preferred Stock held by SDP, of which Daphne Pyhrr is a general partner.
- /(11)/ Includes 16,667 shares of Preferred Stock held by SDP.
- /(12)/ Includes 16,667 shares issuable upon conversion of 16,667 shares of Preferred Stock held by SDP.
- /(13)/ Includes 1,593,220 shares beneficially owned by PAP, of which Peter Pyhrr is the sole general partner.
- /(14)/ Includes 380,271 shares held of record by Eaglewood Properties I, Ltd. of which Mr. Sutherland is an officer and Director of the general partner; and 298,796 shares beneficially owned by Plaza Realty One Limited Partnership, of which Mr. Sutherland is an officer and the sole Director of the general partner.

- /(15)/ Includes 1,084,000 shares issuable upon conversion of Preferred Stock held by such persons. Shares beneficially owned by two or more persons have been attributed to only one of such persons.

Under the regulations of the Securities and Exchange Commission, shares are deemed to be "beneficially owned" by a person if such person, directly or indirectly, has or shares the power to vote or dispose of the shares, whether or not such person has any pecuniary interest in such shares, or if such person has the right to acquire the power to vote or dispose of such shares within 60 days, including any right to acquire such power through the exercise of any option warrant or right. Each of the persons named above disclaims that such person is the beneficial owner of any shares not held of record by such person or in which such person has no pecuniary interest and which have been attributed to such person indirectly or by virtue of any right to acquire such shares or any rights with respect thereto.

The Company is unaware of any arrangements the operation of which may at a subsequent date result in the change of control of the Company.

ITEM 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The table below denotes the affiliation of entities and individuals described in the transactions discussed in this section.

INDIVIDUAL OFFICERS, DIRECTORS & AFFILIATES OF THE COMPANY

Affiliated Entities	E. Jeff Bomer	Charles R. Leone, III	Robert R. Neyland	Peter A. Pyhrr	Stephen A. Pyhrr	Charles Sutherland
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Eaglewood Prop. I, Ltd. ("Eaglewood")						Officer; Dir. of General

HCI Equity Partners L.P. ("HCI")	Officer; Dir. of General Partner	Sole Mgr. of General Partner
HCIE, L.L.C. / (1) /		Sole Mgr.
JDB Investments, Ltd.	General & Limited Partner	
PAP Investments, Ltd.		General & Limited Partner
Penntex Services, Inc. / (1) /	Dir. ; President	

</TABLE>

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<TABLE>

<CAPTION>

Affiliated Entities	E. Jeff Bomer	Charles R. Leone, III	Robert R. Neyland	Peter A. Pyhrr	Stephen A. Pyhrr	Charles Sutherland
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Plaza Realty One Limited Partnership ("PRO")						Officer; Dir. of General Partner
SDP Investments, Ltd.					General & Limited Partner	

</TABLE>

/(1)/ A general partner of HCI Equity Partners, L.P.

\$125,000 Loan by Peter A. Pyhrr and Conversion to Series A Preferred Stock

On January 27, 1995, Peter A. Pyhrr, a Director of the Company, made a \$125,000 unsecured demand loan to the Company to enhance its liquidity for operations, bearing interest at prime rate plus one and one-half percent per annum. Pursuant to a letter agreement, dated January 27, 1995, among Messrs. John W. Ballard, Gary J. Davis, E. Jeff Bomer in behalf of JDB, Stephen A. Pyhrr in behalf of SDP, Peter A. Pyhrr in behalf of PAP, EWMW Limited Partnership and PRO (herein collectively, "loan guarantors"), the Company and Mr. Peter A. Pyhrr, the loan guarantors agreed to underwrite repayment of the loan by advancing funds to the Company in amounts set forth in accordance with the letter agreement in the event that the loan was not repaid by the Company upon demand. The loan was given priority of payment over the loan obligations of the Company to Horizon Bank and proceeds from exercise of outstanding Company warrants were to be applied first in payment of the loan. Messrs. Ballard, Bomer, Davis, Peter Pyhrr and Stephen Pyhrr are Directors of the Company, and PRO is an affiliate of Charles Sutherland, an affiliate of the Company. None of the loan guarantors nor their affiliates received any special consideration for extending the guaranty, and Mr. Peter Pyhrr did not receive any compensation other than the stated interest as consideration for the loan.

On June 18, 1996, in connection with the Series A Preferred Stock Placement (as hereinafter defined), Mr. Peter Pyhrr tendered the \$125,000 principal of the loan and was issued 83,333 shares of Series A Preferred Stock of the Company therefor at \$1.50 per share.

Issuance and Conversion of 2,000 Shares of Company Preferred Stock

On September 28, 1995, the Company issued 2,000 shares of \$.01 par value, non-voting Preferred Stock, bearing a dividend rate of 10% per annum, at a purchase price of \$100 per share, of which 500 shares were sold to each of PAP, SDP, JDB and Eaglewood. The Preferred Stock was redeemable by the Company at par prior to January 16, 1996, and thereafter each share was convertible into 160 shares of Company Common Stock. The \$200,000 proceeds from the sale of the Preferred Stock were utilized by the Company to repay Home for monies previously advanced by Home to the Company to pay expenses of the Home Transaction and debt service on the Horizon Bank loan to the Company. In meeting the net worth test in accordance with HUD regulations applicable to Home, intercompany advances such as those from Home to the Company are not qualified assets. The effect of the sale of the Preferred Stock

and use of the proceeds to repay the Home advances was a \$200,000 increase in Home's net worth for HUD qualification purposes. Effective April 19, 1996, the holders of all 2,000 outstanding shares of non-voting Preferred Stock converted the Preferred Stock and accrued and unpaid dividends thereon into an aggregate of 337,708 shares of Company Common Stock, with each of PAP, SDP, JDB and Eaglewood receiving 84,427 shares of Company Common Stock.

\$200,000 Loan by Stockholders

On January 29, 1996, certain stockholders who are Directors, officers or affiliates of the Company made unsecured, non-interest bearing advances to the Company in the aggregate principal amount of \$200,000 which were due to be repaid upon demand, including advances in the amount of \$100,000 from Peter A. Pyhrr, a Director of the Company, and \$25,000 each from E. Jeff Bomer, a Director of the Company, SDP, an affiliate of Stephen A. Pyhrr, a Director of the Company, and \$50,000 from Eaglewood, an affiliate of an affiliate of the Company. These advances were utilized by the Company to increase the equity capitalization of Home, so that Home could achieve the level of capitalization required by FHA to allow Home to approve new Correspondents and dealers, without prior submission to FHA. As a result of the Series A Preferred Stock Placement, the advances of Peter Pyhrr and SDP in the principal amount of \$100,000 and \$25,000, respectively, were tendered in payment for the issuance of 66,667 shares and 16,667 shares, respectively, of Company Series A Preferred Stock; and the remaining \$75,000 principal amount of advances by Mr. Bomer and by Eaglewood were repaid out of the proceeds from sale of shares of Series A Preferred Stock in connection with the Series A Preferred Stock Placement.

1,500,000 Share Series A Preferred Stock Placement

As of June 18, 1996, the Company issued and sold an aggregate of 1,500,000 shares of Series A Preferred Stock for the purchase price of \$1.50 per share or an aggregate gross consideration of \$2,250,000, most of which was purchased by certain Directors and officers of the Company and Home, and affiliates of such persons ("Series A Preferred Stock Placement"). An aggregate of 1,000,000 shares of the Series A Preferred Stock was purchased by HCI pursuant to the Preferred Stock Purchase Agreement, dated May 3, 1996, as amended ("HCI Agreement"). Messrs. Charles R. Leone, III and Robert R. Neyland, who are affiliates of the general partners of HCI, have been elected to the Board of Directors of the Company pursuant to director-election provisions of the HCI Agreement. The HCI Agreement provides that the Board of Directors of the Company will not exceed nine members and that holders of the majority of the shares of Series A Preferred Stock purchased by HCI shall be entitled to designate two nominees to the Company's Board of Directors, as a separate class, as long as at least 50% of the shares of Series A Preferred Stock purchased by HCI remain outstanding. In addition, the HCI Agreement imposes certain covenants upon the Company, including maintenance of the Company's eligibility under the Fannie Mae seller/servicer loan purchase program, maintenance of the Company's FHA Insurance for Title I Loans (with certain exceptions), compliance with other material contracts and loans, and delivery of annual and periodic reports to holders of the shares of Series A Preferred Stock purchased by HCI, among other things. A total of 150,000 shares of Series A Preferred Stock was issued to Peter A. Pyhrr in payment of the discharge of an aggregate of \$225,000 principal amount of loans by Mr. Pyhrr to the Company and an additional 35,495 shares of the Series A Preferred Stock were purchased for the benefit of members of Mr.

Pyhrr's family. An aggregate of 16,667 shares of Series A Preferred Stock were issued to SDP, an affiliate of Stephen A. Pyhrr, in payment and discharge of \$25,000 principal amount of a loan by SDP to the Company, and an additional 24,833 shares of the Series A Preferred Stock were purchased by members of Mr. Stephen Pyhrr's family. An aggregate of 90,333 share of the Series A Preferred Stock were purchased by or in behalf of officers and employees of the Company and Home and members of their families.

The Series A Preferred Stock has a cumulative annual dividend of \$.18 per share, payable quarterly before any distribution to holders of Common Stock, with mandatory payment of dividends required for the first four full quarterly periods after issue. Shares of Series A Preferred Stock are convertible at any time into one share of Common Stock for each share of Series A Preferred Stock. The Series A Preferred Stock is redeemable at par plus accrued, unpaid dividends, at the option of the Company, at any time after May 31, 1998. Each share of Series A Preferred Stock is entitled to one vote with respect to all matters submitted to a vote of the stockholders of the Company, and holders of series A Preferred Stock are entitled to vote as a class as provided by law in connection with any amendment to the Articles of Incorporation or Bylaws of the Company, or any other corporate action that would adversely affect the holders of Series A Preferred Stock. Shares of Series A Preferred Stock are entitled to

a liquidation preference of \$1.50 per share, plus any accrued, unpaid dividends, before any distribution to holders of Common Stock upon dissolution of the Company.

Holders of all shares of Series A Preferred Stock purchased in the Series A Preferred Stock Placement were granted "piggyback" registration rights covering the shares of Common Stock into which the Series A Preferred Stock is convertible after nine months from the date of issuance of the Series A Preferred Stock which rights terminate after three years from the date of issuance of the Series A Preferred Stock. No fees, commissions or other special compensation was paid for placement of the shares in connection with the Series A Preferred Stock Placement. The Company has entered into a consulting agreement with representatives of HCI providing for fees aggregating \$60,000 over a one year period, including \$20,000 to each of Messrs. Leone and Neyland, Directors of the Company.

Inspection Services Arrangement

Since April 1994, Home has engaged HomeSpec of Texas ("HomeSpec"), a proprietorship of David W. Ballard, son of John W. Ballard, Chairman of the Board and President of the Company and Director and President of Home, to provide or arrange for inspections of home improvement contract work financed by loans funded by Home. All Title I Loans in excess of \$7,500 are required by applicable regulations to have a physical inspection of the improvements financed, and Home currently collects an inspection fee of \$75 with respect to each loan funded by Home. Home has made arrangements with HomeSpec to provide the necessary inspection services, directly or through a network of appraisers or realtors in other locations, for fees that do not exceed \$75 for each inspection. In fact, inspection fees by HomeSpec have generally ranged from \$35 to \$55 per loan depending upon the location, although it may be expected that in connection with direct loans where Home advances funds prior to commencement of construction, the inspection may require more effort and approach or be equal to the \$75 fee collected by Home. During the fiscal years ended September 30, 1996 and 1995, Home paid HomeSpec an aggregate of \$69,715 and \$55,675, respectively, for

inspection services. David W. Ballard is a licensed appraiser regularly engaged in making residential appraisals for the City of Austin and Travis County, Texas.

ITEM 13. EXHIBITS AND REPORTS ON FORM 8-K.

(a) The following financial statements and exhibits are filed with and as a part of this Annual Report:

(1) Financial Statements

	Page No. -----
Index to Financial Statements	F-1
Report of Independent Accountants	F-2
Consolidated Balance Sheets as of September 30, 1996 and September 30, 1995	F-3
Consolidated Statements of Operations For the Years Ended September 30, 1996 and 1995	F-4
Consolidated Statements of Changes in Stockholders' Equity For the Years Ended September 30, 1996 and 1995	F-5
Consolidated Statements of Cash Flows For the Years Ended September 30, 1996 and 1995	F-6
Notes to Financial Statements	F-7

(2) Exhibits

Exhibit No.	Description of Document	(Reference)

2	Stock Exchange Agreement, dated as of June 1, 1994, among the Home Parties, the Company and the Company's stockholder.	(1)
3(i).1	Articles of Incorporation of Lezak Energy	

Group, Inc., filed with the State of Nevada (2)
on October 8, 1980.

3(i).2 Certificate of Amendment of Articles of (2)
Incorporation of Lezak Energy Group, Inc.,
filed with the State of Nevada on
October 26, 1982.

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Exhibit No. Description of Document (Reference)

3(i).3 Certificate of Amendment of Articles of (2)
Incorporation of Enterprise Oil and Gas Corp.,
filed with the State of Nevada on
October 29, 1982.

3(i).4 Certificate of Amendment of Articles of (2)
Incorporation of Enterprise Oil and Gas Corp.,
filed with the State of Nevada on July 27, 1983.

3(i).5 Certificate of Amendment of Articles of (2)
Incorporation of Enterprise Technologies, Inc.,
filed with the State of Nevada on September 12, 1983.

3(i).6 Certificate of Amendment of Articles of (2)
Incorporation of Enterprise Technologies, Inc.,
filed with the State of Nevada on January 12, 1990.

3(i).7 Certificate of Amendment of Articles of (2)
Incorporation of Enterprise Entertainment Group,
Inc., filed with the State of Nevada on
April 5, 1993.

3(i).8 Certificate of Amendment of Articles of (3)
Incorporation of the Company, filed with the
State of Nevada on November 29, 1994, changing
the name of the Company to HomeCapital
Investment Corporation and authorizing Preferred Stock.

3(ii).1 Bylaws of the Company (2)

3(ii).2 Amendment to the Bylaws of the Company (3)
to Waive Nevada Control Shares
Acquisition Act relative to the Home Transaction.

3(ii).3 Written Consent of the Sole Director of the Company, (2)
dated as of July 27, 1994, among other things
approving amendments to the Bylaws.

4.1 Form of Series A Warrant. (2)

4.2 Form of Series B Warrant. (2)

4.3 Warrants, dated August 26, 1994, held by Plaza (3)
Realty One Limited Partnership.

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Exhibit No. Description of Document (Reference)

4.4 Warrants, dated August 26, 1994, held by PAP (3)
Investments, Ltd.

4.5 Certificate of Designations, Preferences and Rights (6)
of Preferred Stock, Series A of the Company filed
with the State of Nevada on June 14, 1996.

4.6 Amendments to Certificate of Designation of Preferred (2)
Stock, Series A of the Company, filed with the State of
Nevada on December 19, 1996. *

10.1 Warrant Exchange Agreement, dated (3)
August 26, 1994, between the Company and
Plaza Realty One Limited Partnership and
PAP Investments, Ltd.

10.2 Option Agreement, dated August 26, 1994, (3)
between the Company and John W. Ballard.

10.3	Conversion Rights Exchange Agreement, dated August 26, 1994, among the Company, Home, Plaza Realty One Limited Partnership and PAP Investments, Ltd.	(3)
10.4	Employment Agreement, dated June 21, 1993, between John W. Ballard and Home.	(3)
10.5	Loan Agreement, dated October 5, 1994, between the Company and Horizon Bank and Trust, SSB.	(3)
10.6	Warehouse and Security Agreement, dated December 1, 1994, between Home and First National Bank of Keystone, N.A..	(4)
10.7	Letter, dated December 19, 1995, of Keystone Bank, renewing and extending the Warehouse and Security Agreement between Home and Keystone Bank.	(4)
10.8	Letter Agreement, dated January 27, 1995, among the Company, Gary J. Davis, EWMW Ltd. Partnership, Plaza Realty One Limited Partnership, JDB Investments, Ltd., SDP Investments, Ltd., PAP Investments, Ltd. and John W. Ballard.	(4)

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Exhibit No.	Description of Document	(Reference)
10.9	Form of Subscription Agreement, dated September 29, 1995, for shares of preferred stock of the Company and Schedule of Signatories.	(4)
10.10	Form of Subscription Agreement, dated September 29, 1995, for shares of common stock of the Company and Schedule of Signatories.	(4)
10.11	Adoption Agreement, effective January 1, 1995, as amended, between Home and the trustees, John W. Ballard and Anna Walker, of the 401(k) Profit Sharing Plan of Home.	(4)
10.12	Mortgage Selling and Servicing Contract, dated March 1, 1996, between Home and the Federal National Mortgage Association.	(5)
10.13	Master Agreement No. MD01546, effective as of May 9, 1996, between Home and the Federal National Mortgage Association.	*
10.13a	First Amendment to Master Agreement No. MD01546, effective as of July 3, 1996, between Home and the Federal National Mortgage Association.	*
10.13b	Second Amendment to Master Agreement No. MD01546, effective as of September 3, 1996, between Home and the Federal National Mortgage Association.	*
10.13c	Third Amendment to Master Agreement No. MD01546, effective as of October 25, 1996, between Home and the Federal National Mortgage Association.	*
10.14	Employment Agreement, dated as of June 1, 1996, between Home and Tommy M. Parker.	*
10.15	HomeCapital Investment Corporation 1996 Stock Option Plan.	*
10.16	Warehouse Loan Agreement, dated as of June 1, 1996, between Home and Guaranty Federal Bank, F.S.B ("Guaranty Federal").	*
10.16a	First Amendment to the Loan Agreement, dated as of July 9, 1996, between Home and Guaranty Federal.	*

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Exhibit No.	Description of Document	(Reference)
-------------	-------------------------	-------------

10.16b	Second Amendment to the Loan Agreement, dated as of September 17, 1996, between Home and Guaranty Federal.	*
10.16c	Third Amendment to the Loan Agreement, dated as of October 15, 1996, between Home and Guaranty Federal.	*
10.17	Unconditional Guaranty of the Company, dated as of October 15, 1996.	*
10.18	Working Capital Line of Credit and Security Agreement, dated as of November 8, 1996, between Home and Guaranty Federal.	*
10.19	Unconditional Guaranty, dated as of November 8, 1996, by the Company.	*
10.20	Preferred Stock Purchase Agreement, dated May 3, 1996, between the Company and HCI Equity Partners, L.P., including form of Registration Agreement.	(6)
10.21	Form of Subscription Agreement for Preferred Stock Series A.	*
10.22	License Agreement, dated November 27, 1996, between Home and Builders Square, Inc.	*
21	Subsidiaries of the Company	(3)
27	Financial Data Schedule	*

Reference Notes:

* Filed herewith

(1) Exhibit 2 was filed as an Exhibit to Registrant's Current Report on Form 8-K, dated August 26, 1994, and is hereby incorporated herein by this reference.

(2) Exhibits 3(i).1, 3(i).2, 3(i).3, 3(i).4, 3(i).5, 3(i).6, 3(i).7, 3(ii).1, 3(ii).3, 4.1, and 4.2 were filed as Exhibits to Registrant's Annual Report on Form 10-KSB for the fiscal year ended September 30, 1993, and each is hereby incorporated herein by this reference.

(3) Exhibits 3(i).8, 3(ii).2, 4.3, 4.4, 10.1, 10.2, 10.3, 10.4, 10.5, and 21 were filed as Exhibits to Registrant's Annual Report on Form 10-KSB for the fiscal year ended September 30, 1994, and each is hereby incorporated herein by this reference.

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(4) Exhibits 10.6, 10.7, 10.8, 10.9, 10.10, and 10.11 were filed as Exhibits to Registrant's Annual Report on Form 10-KSB for the fiscal year ended September 30, 1995 and each is incorporated herein by reference.

(5) Exhibit 10.12 was filed as an Exhibit to Registrant's Quarterly Report on Form 10-QSB for the three months ended March 31, 1996, and is hereby incorporated herein by their reference.

(6) Exhibits 4.5 and 10.20 were filed as Exhibits to Registrant's Quarterly Report on Form 10-QSB for the three months ended June 30, 1996, and each is incorporated herein by this reference.

(b) No Current Reports on Form 8-K were filed by the Company during the last quarter of the fiscal year ended September 30, 1996.

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SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the

registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HOMECAPITAL INVESTMENT CORPORATION
(Registrant)

Date: December 27, 1996 By: /s/John W. Ballard

JOHN W. BALLARD, President

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Date: December 27, 1996 By: /s/ John W. Ballard

JOHN W. BALLARD, President,
Chief Executive Officer and
Chairman of the Board of Directors

Date: December 27, 1996 By: /s/ Tommy M. Parker

TOMMY M. PARKER, Treasurer
and Chief Financial Officer

Date: December 27, 1996 By: /s/ Rebecca F. Blanchard

REBECCA F. BLANCHARD, Principal
Accounting Officer

Date: December 27, 1996 By: /s/ E. Jeff Bomer

E. JEFF BOMER, Secretary
and Director

Date: December 27, 1996 By: /s/ Peter A. Pyhrr

PETER A. PYHRR, Director

Date: December 27, 1996 By: /s/ Stephen A. Pyhrr

STEPHEN A. PYHRR, Director

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Date: December 27, 1996 By: /s/ Gary J. Davis

GARY J. DAVIS, Director

Date: December 27, 1996 By: /s/ Charles R. Leone, III

CHARLES R. LEONE, III, Director

Date: December 27, 1996 By: /s/ Robert R. Neyland

ROBERT R. NEYLAND, Director

Date: December 27, 1996 By: /s/ Walter W. Stoepfelwerth

WALTER W. STOEPELWERTH, Director

Date: December 27, 1996 By: /s/ J. Rolfe Johnson

J. ROLFE JOHNSON, General Counsel
and Director

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HOMECAPITAL INVESTMENT CORPORATION AND SUBSIDIARY

FINANCIAL STATEMENTS

HOMECAPITAL INVESTMENT CORPORATION AND SUBSIDIARY
INDEX TO FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors
HomeCapital Investment Corporation

We have audited the accompanying consolidated balance sheets of HomeCapital Investment Corporation and Subsidiary as of September 30, 1996 and 1995 and the related consolidated statements of operations, changes in stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of HomeCapital Investment Corporation and Subsidiary as of September 30, 1996 and 1995 and the consolidated results of their operations and their cash flows for the years then ended, in conformity with generally accepted accounting principles.

Coopers & Lybrand L.L.P.

Austin, Texas
December 11, 1996

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HOMECAPITAL INVESTMENT CORPORATION AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
September 30, 1996 and 1995

<TABLE>			
<CAPTION>			
	ASSETS	1996	1995
		-----	-----
<S>	<C>		<C>
Cash	\$	343,484	\$ 25,716
Cash deposits, restricted		705,754	-
Loans held for sale, net		4,479,550	1,697,735

Excess servicing receivable	5,078,584	-
Prepaid and other assets	240,681	56,267
Furniture, fixtures and equipment, net	646,082	373,860
Deferred tax assets	190,502	-
	-----	-----
Total assets	\$ 11,684,637	\$ 2,153,578
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Notes payable	\$ 158,339	\$ 383,335
Revolving lines of credit	4,064,180	1,498,057
Capital lease obligations	14,352	41,814
Accrued expenses and other liabilities	1,264,766	122,113
Allowance for credit losses on loans sold	175,000	80,000
Income taxes payable	1,104,543	-
	-----	-----
Total liabilities	6,781,180	2,125,319
	-----	-----

Commitments and contingencies

Stockholders' equity:

Preferred stock, \$.01 par value; 10,000,000 shares authorized; 1,500,000 and 2,000 shares of cumulative convertible Series A stock issued (liquidation value of \$2,250,000 and \$200,000)	15,000	20
Common stock, \$.01 par value; authorized 100,000,000 shares; 7,292,711 and 6,887,975 shares issued and outstanding	72,927	68,879
Additional paid-in capital	3,688,433	1,325,201
Retained earnings (deficit)	1,184,348	(1,301,585)
Notes receivable for stock	(57,251)	(64,256)
	-----	-----
Total stockholders' equity	4,903,457	28,259
	-----	-----
Total liabilities and stockholders' equity	\$ 11,684,637	\$ 2,153,578
	=====	=====

</TABLE>

The accompanying notes are an integral part of the consolidated financial statements.

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HEMOCAPITAL INVESTMENT CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF OPERATIONS
For the Years Ended September 30, 1996 and 1995

<TABLE>
<CAPTION>

	1996	1995
	-----	-----
<S>	<C>	<C>
Revenues:		
Gain on sale of loans	\$ 7,753,507	\$ 3,201,491
Interest - loans	627,365	330,564
Interest - other	6,827	16,240
Loan servicing income	390,571	-
Other income	135,333	147,468
	-----	-----
Total revenues	8,913,603	3,695,763
	-----	-----
Costs and Expenses:		
Salaries and employee benefits	2,211,579	1,718,297
Servicing costs	265,546	-
Loan costs	513,404	354,655
General and administrative	1,643,852	1,186,725
Occupancy	336,894	192,689
Interest	462,064	315,442
	-----	-----
Total costs and expenses	5,433,339	3,767,808
	-----	-----
Income (loss) before income taxes	3,480,264	(72,045)
Provision for income taxes	914,041	-
	-----	-----
Net income (loss)	\$ 2,566,223	\$ (72,045)
	=====	=====

Income (loss) per common and common equivalent share:

Primary:		
Earnings (loss) per common share	\$.32	\$ (.01)
	=====	=====
Weighted average number of common and common equivalent shares outstanding	7,824,111	6,109,177
	=====	=====
Fully Diluted:		
Earnings per common share	\$.30	
	=====	
Weighted average number of fully diluted common shares outstanding	8,425,296	
	=====	

</TABLE>

The accompanying notes are an integral part of the consolidated financial statements.

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HEMOCAPITAL INVESTMENT CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
For the Years Ended September 30, 1996 and 1995

	Common Stock		Preferred Stock		Additional Paid-In Capital	Retained Earnings (Deficit)	Notes Receivable For Stock
	Shares	Dollars	Shares	Dollars			
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance, October 1, 1994	4,936,720	\$ 49,367	2,000	\$ 20	\$ 898,613	\$ (1,190,587)	\$ (73,012)
Conversion of Subsidiary preferred stock to the Company's common stock	1,619,755	16,197	(2,000)	(20)	22,776	(38,953)	—
Conversion of debt to common stock	331,500	3,315	—	—	203,832	—	—
Write-off of loans of notes receivable	—	—	—	—	—	—	8,756
Sale of preferred stock	—	—	2,000	20	199,980	—	—
Net loss	—	—	—	—	—	(72,045)	—
Balance, September 30, 1995	6,887,975	68,879	2,000	20	1,325,201	(1,301,585)	(64,256)
Conversion of preferred stock	337,708	3,378	(2,000)	(20)	—	(3,358)	—
Sale of preferred stock	—	—	1,500,000	15,000	2,095,790	—	—
Exercise of Series A warrants	67,028	670	—	—	267,442	—	—
Write-off of notes receivable	—	—	—	—	—	—	7,005
Preferred stock dividends	—	—	—	—	—	(76,932)	—
Net Income	—	—	—	—	—	2,566,223	—
Balance, September 30, 1996	7,292,711	\$ 72,927	1,500,000	\$ 15,000	\$ 3,688,433	\$ 1,184,348	\$ (57,251)

<CAPTION>

	Stockholders' Equity
<S>	<C>
Balance, October 1, 1994	\$ (315,599)
Conversion of Subsidiary preferred stock to the Company's common stock	—
Conversion of debt to common stock	207,147
Write-off of loans of notes receivable	8,756
Sale of preferred stock	200,000

Net loss	(72,045)
Balance, September 30, 1995	28,259
Conversion of preferred stock	—
Sale of preferred stock	2,110,790
Exercise of Series A warrants	268,112
Write-off of notes receivable	7,005
Preferred stock dividends	(76,932)
Net Income	2,566,223
Balance, September 30, 1996	\$ 4,903,457

</TABLE>

The accompanying notes are an intergral part of the consolidated financial statements.

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HOME CAPITAL INVESTMENT CORPORATION AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 1996 and 1995

<TABLE>
<CAPTION>

	1996	1995
	-----	-----
	<C>	<C>
Cash flows from operating activities:		
Net income (loss)	\$ 2,566,223	\$ (72,045)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	210,796	63,769
Deferred tax benefit	(190,502)	--
Provision for credit losses	220,000	50,000
Write-off of notes receivable	7,005	8,756
Gain on sale of loans	(7,753,507)	(3,201,491)
Proceeds from sale of loans	99,981,699	64,281,747
Purchase and origination of loans	(100,304,528)	(60,882,595)
Change in operating assets and liabilities:		
Increase in cash deposits, restricted	(705,754)	--
(Increase) decrease in prepaid and other assets	(189,088)	24,810
Increase (decrease) in accrued expenses and other liabilities	2,247,196	(191,225)
	-----	-----
Net cash provided by (used in) operating activities	(3,910,460)	81,726
	-----	-----
Cash flows used in investing activities -		
Purchase of furniture, fixtures and equipment	(387,408)	(268,299)
Cash flows from financing activities:		
Increase (decrease) in revolving lines of credit	2,566,123	(51,977)
Proceeds from notes payable	200,000	425,000
Payments on notes payable	(174,995)	(324,990)
Loans to stockholders	--	(35,744)
Proceeds from sale of preferred stock	1,860,790	200,000
Proceeds from exercise of Series A warrants	268,112	--
Payments on capital lease obligations	(27,462)	--
Preferred stock dividends	(76,932)	--
	-----	-----
Net cash provided by financing activities	4,615,636	212,289
	-----	-----
Increase in cash and cash equivalents	317,768	25,716
Cash, beginning of year	25,716	--
	-----	-----

Cash, end of year

\$ 343,484
=====

\$ 25,716
=====

</TABLE>

The accompanying notes are an integral part of the consolidated financial statements.

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HOMECAPITAL INVESTMENT CORPORATION AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS

THE COMPANY AND SUBSIDIARY

HomeCapital Investment Corporation, a public holding company, (formerly Andromeda Capital Corporation) ("HomeCapital") was incorporated in the state of Nevada on October 8, 1980. On May 30, 1984, HomeCapital voluntarily filed a petition in accordance with Sections 1107 and 1108 of the Bankruptcy Code and was authorized to continue in possession of its property and manage and operate its business as Debtor-in-Possession. On October 3, 1989, a plan of reorganization (the "Plan") was confirmed and approved by the Bankruptcy Court.

Pursuant to the Plan, all shares of preferred and common stock of HomeCapital issued and outstanding as of the date of confirmation of the Plan ("Old Shares"), were deemed canceled, annulled and extinguished. In exchange for every 100 Old Shares, the holder was entitled, pursuant to the Plan, to receive one unit of securities issued by HomeCapital (the "Units"), each Unit consisting of one share of Common Stock ("New Shares") and one Series A Warrant which upon exercise entitled the holder to one New Share of Common Stock and one Series B Warrant. The holder of each Series B Warrant was entitled, upon exercise, to one New Share of Common Stock. (See Note 15)

HomeOwners Mortgage & Equity, Inc. ("Home") was formed in May 1993 as a Delaware Corporation. On August 26, 1994, the shareholders of Home contributed 100% of the outstanding common stock of Home to HomeCapital in exchange for 4,100,376 newly issued shares of common stock of HomeCapital. This transaction resulted in the previous shareholders of Home owning approximately 83% of the outstanding common stock of HomeCapital, with HomeCapital owning 100% of the outstanding common stock of Home. As of the acquisition date, HomeCapital was a public company with no business operations and net liabilities of \$7,500. This reverse acquisition was accounted for as a recapitalization with carryover basis of assets and liabilities. Accordingly, the financial statements reflect the results of the operations of Home prior to the acquisition date and consolidated (the "Company") from that date forward. Intercompany transactions and balances have been eliminated.

DESCRIPTION OF OPERATIONS

The Company through its loan correspondents and home improvement contractors originates and purchases home improvement loans ("Loans") and is approved to engage in lending activities under the Department of Housing and Urban Development ("HUD") Title I Program. As such, the Company is subject to regulation and examination by this agency. Pursuant to that program, 90% of the principal balances of the Loans are U.S. Government insured ("Title I Loans").

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HOMECAPITAL INVESTMENT CORPORATION AND SUBSIDIARY
NOTES TO FINANCIAL STATEMENTS, CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CASH DEPOSITS, RESTRICTED

Restricted cash represents unremitted funds received in connection with the servicing of Loans sold with servicing retained that have not been remitted to the purchasers of such Loans as of September 30, 1996. The liability for these unremitted funds is included in the balance sheet under the

caption of accrued expenses and other liabilities.

LOANS HELD FOR SALE, NET

Loans held for sale are carried at the lower of aggregated cost or market value in the accompanying balance sheets. Loans held for sale at September 30, 1996 and 1995 have been either originated by the Company or purchased from its Loan Correspondents. The Company funds these Loans primarily through its warehouse line of credit. Purchase premiums, discounts, loan origination fees and related direct origination costs are included in the stated cost of Loans held for sale, and are deferred until the related Loans are sold.

Provision for credit losses relating to Loans held for sale is charged to income in amounts sufficient to maintain the allowance at a level considered adequate to provide for anticipated losses resulting from liquidation of outstanding Loans. The provision for credit losses is based upon periodic analysis of the portfolio, economic conditions and trends, historical credit loss experience, borrowers' ability to repay, collateral values and giving effect to estimated Federal Housing Administration ("FHA") Insurance recoveries on Title I Loans.

REVENUE RECOGNITION

Gain on sale of Loans is recognized upon delivery of Loans to investors. Gain on sale of Loans is calculated based upon the difference between the net sales proceeds and the carrying amount of the Loans sold, together with excess servicing receivable determined on the date of sale.

The Company retains the right to service loans it sells to others for which it receives a servicing fee expressed as a percent of the loan amount. The servicing fee ranges from 1.00% up to a maximum of 5.00% of the outstanding principal balance of the serviced loans. The Company presently subcontracts the loan servicing activities for a fee of 0.75% which the Company believes is a normal servicing fee.

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HEMOCAPITAL INVESTMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

EXCESS SERVICING RECEIVABLE

The excess servicing receivable is calculated based upon the present value of the estimated future servicing revenues after considering the effects of the estimated prepayments, defaults, servicing costs and other costs. The discount rate utilized is based upon the assumptions that market participants would use for similar financial instruments subject to prepayments, defaults, collateral value and interest rate risks. The carrying value of the excess servicing receivable is amortized in proportion to and over the period of estimated net future excess servicing fee income, for which the amortization is recorded as a charge against servicing fee income.

The estimated future servicing cash flows were discounted using rates that averaged 12.5% for the year ended September 30, 1996. The Company has developed its prepayment and default assumptions based on experience with its own portfolio, available market data and information from regulatory agencies. In determining expected cash flows, management considers economic conditions at the date of sale.

The Company periodically reviews the excess servicing receivable for impairment. This review is performed on a disaggregated basis for the predominant risk characteristics of the underlying loans which are loan type, term, and credit quality. The Company generally makes loans to individuals whose borrowing needs may not be met by traditional financial institutions due to credit exceptions. The Company has found that these borrowers are payment sensitive rather than interest rate sensitive. Consequently, the Company does not consider interest rates a predominant risk characteristic for purposes of impairment. Impairment, if any, is recognized through a valuation allowance in the period of impairment. There were no material adjustments to the carrying value of the excess servicing receivable during fiscal 1996.

ALLOWANCE FOR CREDIT LOSSES ON LOANS SOLD

Loans sold by the Company are sold with limited recourse (see note 14). These transactions are accounted for as sales because 1) the Company surrenders control of the future economic benefits of the loans, 2) the obligation under the recourse provision can be reasonably estimated and 3) the purchaser cannot require the Company to repurchase the loans except pursuant to the recourse provision. The Company provides an estimate for credit losses related to this recourse provision. Such amounts are incurred over the period subject to recourse.

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HEMOCAPITAL INVESTMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

ALLOWANCE FOR CREDIT LOSSES ON LOANS SOLD, CONTINUED

Recourse to the Company on sales of Loans is governed by the agreements between the purchasers and the Company. The allowance for credit losses on Loans sold represents the Company's best estimate of its probable future credit losses to be incurred over the life of the Loans, giving effect to estimated FHA Insurance recoveries on Title I Loans. The allowance for losses on Loans sold with recourse is shown separately as a liability on the Company's balance sheet.

LOAN SERVICING INCOME

Fees for servicing Loans originated or acquired by the Company and sold with servicing rights retained are generally based on a stipulated percentage of the outstanding principal balance of such Loans and are recognized when earned. Interest received on Loans sold, less amounts paid to investors, is reported as loan servicing income. Excess servicing receivable is amortized systematically to reduce loan servicing income to an amount representing normal servicing income and the present value discount. Late charges and other ancillary income are recognized when collected.

FURNITURE, FIXTURES AND EQUIPMENT, NET

Furniture, fixtures and equipment are stated at cost less accumulated depreciation. Expenditures for major renewals and improvements are capitalized while minor replacements, maintenance and repairs which do not improve or extend the life of such assets are charged to expense. Gains or losses on disposal of fixed assets are reflected in operations.

Depreciation is computed using the straight-line method over the estimated useful lives of the depreciable assets, ranging from 5 to 7 years. Leasehold improvements are depreciated over the term of the lease, ranging from 1 to 5 years.

FEDERAL AND STATE INCOME TAXES

The Company and Home file separate Federal and State income tax returns. The liability method is used in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities and measured using the enacted tax rates and laws.

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HEMOCAPITAL INVESTMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

CREDIT CONCENTRATIONS

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of cash, Loans held for sale and excess servicing receivable. Concentration of credit risk and mitigating factors regarding Loans and excess servicing receivable are described above. The Company places its cash in several major financial

institutions thereby limiting the Company's exposure to concentrations of credit risk. The operating accounts of the Company exceeded the amount insured by the Federal Deposit Insurance Corporation by an aggregate of \$1,198,326 at September 30, 1996.

The Company is party to financial instruments with off-balance sheet credit risk in the normal course of business. These financial instruments include commitments to extend credit to borrowers and commitments to purchase loans from others. As of September 30, 1996, the Company had outstanding commitments to extend credit or purchase loans in the amounts of approximately \$45,073,000.

RECENTLY ISSUED ACCOUNTING STANDARDS

In March 1995, the Financial Accounting Standards Board (the "FASB") issued Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of" ("SFAS No. 121"). SFAS No. 121 requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. SFAS No. 121 is effective for fiscal years beginning after December 15, 1995. In the event that facts and circumstances indicate that the cost of long-lived assets other than financial instruments and deferred tax assets may be impaired, an evaluation of recoverability would be performed. If an evaluation of impairment is required, the estimated future undiscounted cash flows associated with the asset would be compared to the asset's carrying amount to determine if a write-down to market value or discounted cash flow value is required. The Company believes SFAS No. 121 will have no material impact on the Company's results of operations or financial condition as a result of implementing the pronouncement during fiscal 1997.

In May 1995, the FASB issued SFAS No. 122 which requires that upon sale or securitization of servicing-retained finance contracts, the Company capitalize the cost associated with the right to service the finance contracts based on their relative fair values. Fair value is determined by the Company based on the present value of estimated net future cash flows related to servicing income. The cost allocated to the servicing right is amortized in proportion to and over the period of estimated net future servicing fee income. The Company has not determined the effect on its operating results or financial condition when it adopts SFAS No. 122, which is required in fiscal 1997.

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HOMECAPITAL INVESTMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

RECENTLY ISSUED ACCOUNTING STANDARDS, CONTINUED

In October 1995, the Financial Accounting Standards Board issued SFAS No. 123, "Accounting for Stock-Based Compensation." SFAS No. 123 establishes fair value-based financial accounting and reporting standards for all transactions in which a company acquires goods or services by issuing its equity instruments or by incurring a liability to suppliers in amounts based on the price of its common stock or other equity instruments. The Company will continue to account for stock-based compensation as prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" and will make the required disclosures in its 1997 fiscal year financial statements.

The FASB has issued SFAS No. 125, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." This statement provides new accounting and reporting standards for transfers and servicing of financial assets and extinguishments of liabilities. This statement also provides consistent standards for distinguishing transfers of financial assets that are sales from transfers that are secured borrowings and requires that liabilities and derivatives incurred or obtained by transferors as part of a transfer of financial assets be initially measured at fair value. It also requires that servicing assets be measured by allocating the carrying amount between the assets sold and retained interests based on their relative fair values at the date of transfer. Additionally, this statement requires that the servicing assets and liabilities be subsequently measured by (a) amortization in proportion to and over the period of estimated net servicing income and (b) assessment of impairment or increased obligation based on their fair values. The Company has not adopted the new standard for the current period, but must adopt the new requirements effective January 1, 1997. The Company has not determined

the effect on results of operations or financial condition in the period of adoption.

EARNINGS PER SHARE

The computation of primary earnings per share is based on the weighted average number of common shares outstanding during the period plus, when dilutive, common equivalent shares which include outstanding warrants (456,170) and stock options (see Notes 15 and 16) using the treasury stock method. Fully diluted earnings per share additionally assumes conversion of the Company's 1,500,000 outstanding shares of Preferred Stock, Series A. The number of contingent shares used in the fully diluted calculation is based on the market price of the Company's common stock as of September 30, 1996. Net earnings used in the computation of earnings per share are reduced by preferred stock dividend requirements.

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HEMOCAPITAL INVESTMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

RECLASSIFICATIONS

Certain accounts and balances in the financial statements for the year ended September 30, 1995, have been reclassified to be consistent with the 1996 account classifications

3. FAIR VALUES OF FINANCIAL INSTRUMENTS

Statement of Financial Accounting Standards No. 107, "Disclosure about Fair Value of Financial Instruments" ("SFAS No. 107"), requires disclosure of fair value information about financial instruments, whether or not recognized in the balance sheet. Fair values are based on estimates using present value or other valuation techniques in cases where quoted market prices are not available. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instrument.

SFAS No. 107 excludes certain financial instruments and all nonfinancial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Company.

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HEMOCAPITAL INVESTMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED

3. FAIR VALUES OF FINANCIAL INSTRUMENTS, CONTINUED

Estimated fair values, carrying values and various methods and assumptions used in valuing the Company's financial instruments at September 30, 1996 are set forth below.

<TABLE>
<CAPTION>

Carrying Estimated Fair

	Value	Value
	-----	-----
<S>	<C>	<C>
Financial Assets:		
Cash (a)	\$ 339,074	\$ 339,074
Loans held for sale (b)	4,604,550	4,896,900
Excess Servicing Receivable (c)	5,078,584	5,078,584
Financial Liabilities:		
Debt obligations (d)	4,078,532	4,078,532

</TABLE>

(a) The carrying value of cash is considered to be a reasonable estimate of fair value.

(b) The fair value is estimated by using current investor yields or outstanding commitments from investors after consideration of non-qualified loans and the collateral securing such Loans.

(c) The fair value is estimated by discounting future cash flows using rates available for instruments with similar risks, terms and remaining maturities.

(d) The debt obligations are primarily adjustable rate instruments and indexed to the prime rate or Federal Funds rate; therefore, carrying value is a reasonable estimate of fair value. Capitalized equipment leases have implicit fixed interest rates ranging from 14.4% to 25.6%, which approximate fair value in the aggregate.

The fair value estimates made at September 30, 1996 were based upon pertinent market data and relevant information on the financial instruments at that time. These estimates do not reflect any premium or discount that could result from offering for sale at one time the entire portion of the financial instrument. Because no market exists for a portion of the financial instruments, fair value estimates may be based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments and other factors. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Fair value estimates are based on existing on-and-off-balance sheet financial instruments without attempting to estimate the value of anticipated future business and the value of assets and liabilities that are not considered financial instruments. In addition, the tax implications related to the realization of the unrealized gains and losses can have a significant effect on fair value estimates and have not been considered in any of the estimates.

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HOMECAPITAL INVESTMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED

4. LOANS HELD FOR SALE

Loans held for sale consisted of the following at September 30, 1996 and 1995:

<TABLE>

<CAPTION>

	1996	1995
	-----	-----
<S>	<C>	<C>
Title I Loans	\$ 4,387,460	\$ 1,678,807
Conventional loans	52,462	-
Commercial loans	51,620	-
Capitalized loan origination fees and costs, net	113,008	18,928
	-----	-----
	4,604,550	1,697,735
Allowance for credit losses	(125,000)	-
	-----	-----
Total	\$ 4,479,550	\$ 1,697,735
	=====	=====

</TABLE>

The serviced Loan portfolio which includes Loans sold to investors and Loans retained by the Company aggregated approximately \$92,743,000 at September 30, 1996.

5. ALLOWANCE FOR CREDIT LOSSES

Changes in the allowance for credit losses for Loans consisted of the following:

	1996	1995
Balance at beginning of year	\$ 80,000	\$ 30,000
Provisions for credit losses	220,000	50,000
Credit losses incurred	-	-
Balance at end of year	\$ 300,000	\$ 80,000
Components of Allowance:		
Allowance for credit losses on Loans held for sale	\$ 125,000	\$ -
Allowance for credit losses on Loans sold	175,000	80,000

6. EXCESS SERVICING RECEIVABLE

The activity in the excess servicing receivable is summarized as follows for the year ended September 30, 1996:

Balance, October 1, 1995	\$ -
Excess servicing additions	5,169,521
Amortization	(90,937)
Balance, September 30, 1996	\$ 5,078,584

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HEMOCAPITAL INVESTMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED

7. FURNITURE, FIXTURES AND EQUIPMENT

Furniture, fixtures and equipment consisted of the following at September 30:

	1996	1995
Furniture and fixtures	\$ 207,704	\$ 159,763
Equipment	324,886	283,815
Leasehold improvements	12,569	7,567
Software cost	293,395	-
	838,554	451,145
Accumulated depreciation	(192,472)	(77,285)
	\$ 646,082	\$ 373,860

At September 30, 1996, and 1995, furniture and fixtures includes \$55,523 and \$105,275, respectively of assets under capital lease with an associated accumulated depreciation of \$23,656 and \$25,694, respectively.

8. NOTES PAYABLE:

Notes payable consisted of the following at September 30, 1996 and 1995:

<TABLE>
<CAPTION>

	1996	1995
<S>	<C>	<C>
Notes payable to stockholder, uncollateralized, payable on demand, accruing interest at prime (8.25% at September 30, 1995) plus 1.5%	\$ -	\$ 125,000
Note payable to bank, guaranteed by certain stockholders of the Company, due on demand, or if no demand is made, due April 5, 1998, accruing interest at prime (8.25% at September 30, 1996) plus 2% (Interest only due through April 5, 1995); monthly payments of \$8,333 thereafter	158,339	258,335
	\$ 158,339	\$ 383,335

</TABLE>

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HOMECAPITAL INVESTMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED

9. REVOLVING LINES OF CREDIT

The Company finances its loans held for sale through a \$10,000,000 revolving line of credit agreement, effective September 17, 1996, which matures January 31, 1997 and had an outstanding balance of \$3,875,377 at September 30, 1996. The Company receives funding for approximately 98% of the principal on each loan it originates or purchases through the warehouse line. The outstanding principal is collateralized by the original notes and mortgages and repaid upon their sale. Interest accrues at the lower of 350 basis points over the Federal Funds rate (6.09%, at September 30, 1996) or 150 basis points over the prime interest rate (8.25%, at September 30, 1996) and is due monthly. The agreement stipulates that the bank will hold the original notes and mortgages for all loans funded under the line as collateral. Upon sale of the loans, the purchaser will fund the bank directly and the collateral will be released.

At September 30, 1995, the Company financed its loans held for sale through a \$5,000,000 revolving line of credit which matured July 31, 1996, and had an outstanding balance of \$1,498,057. Interest accrued at prime rate (8.25% at September 30, 1995) plus 2.0% and was due monthly.

The composition of the revolving lines of credit was as follows at September 30:

<TABLE>

<CAPTION>

	1996	1995
<S>	<C>	<C>
Payable to financial institution	\$ 3,875,377	\$ -
Payable to financial institution, matured July 31, 1996	188,803	1,498,057
	\$ 4,064,180	\$ 1,498,057

</TABLE>

Subsequent to September 30, 1996, the revolving line of credit was increased to \$15,000,000 and the Company entered into a separate working capital line of credit (servicing collateralized) for \$3,000,000 which matures November 7, 1997. The interest rate on the working capital line of credit is prime plus 2.25%.

In connection with the above borrowings, the Company has agreed to certain financial covenants regarding tangible net worth, leverage ratios, and liquidity. The Company is permitted to pay dividends as long as the financial ratios are maintained.

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HOMECAPITAL INVESTMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED

10. PREFERRED STOCK

On September 28, 1995, the Company issued 2,000 shares of non-voting

preferred convertible stock at \$100 per share. After January 16, 1996, each preferred share was convertible into 160 common shares of the Company at the option of the holder. The holders of the preferred stock were entitled to a 10% annual cumulative dividend on the face amount of the stock. Effective April 18, 1996, all outstanding shares of preferred stock were converted, together with all accrued and unpaid dividends, into 337,708 shares of common stock.

On June 18, 1996, the Company issued 1,500,000 shares of Preferred Stock, Series A, par value \$.01 per share ("Series A Preferred Stock), for the purchase price of \$1.50 per share or an aggregate of \$2,250,000. A total of 1,000,000 shares of the Series A Preferred Stock was purchased by an unaffiliated entity pursuant to a Preferred Stock Purchase Agreement, dated May 3, 1996, as amended.

The Series A Preferred Stock has a cumulative annual preferred dividend of \$.18 per share, payable quarterly before any distribution to holders of Common Stock, with mandatory payment of dividends required for the first year after issue, and shares of Series A Preferred Stock are convertible at any time into Common Stock at a conversion rate, subject to certain adjustments, of one share of Common Stock for each share of Series A Preferred Stock. The Series A Preferred Stock is redeemable at par, plus accrued, unpaid dividends, at the option of the Company, at any time after two years from the date of issuance. Each share of Series A Preferred Stock is entitled to one vote with respect to all matters submitted to a vote of the stockholders of the Company, and holders of Series A Preferred Stock are entitled to vote as a class as provided by law in connection with any amendment to the Articles of Incorporation or Bylaws of the Company, or any other corporate action that would adversely affect the holders of Series A Preferred Stock. Shares of Series A Preferred Stock are entitled to a liquidation preference of \$1.50 per share, plus any accrued, unpaid dividends, before any distribution to holders of Common Stock upon dissolution of the Company.

Holders of the Series A Preferred Stock were granted "piggyback" registration rights covering the shares of Common Stock into which the Series A Preferred Stock is convertible after nine months from the date of issuance of the Series A Preferred Stock, which rights terminate after three years from the date of issuance of the Series A Preferred Stock.

A total of 166,667 shares of the Series A Preferred Stock were issued in payment and discharge of an aggregate \$250,000 principal amount of loans payable to certain stockholders of the Company.

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HEMOCAPITAL INVESTMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED

11. INCOME TAXES

The Company had net operating loss carryforwards of approximately \$1,002,000 at September 30, 1995, of which \$759,000 was utilized for the year ended September 30, 1996.

The provision for income taxes for the year ended September 30, 1996 is comprised of the following:

<TABLE>
<CAPTION>

	1996

<S>	<C>
Current:	
Federal	\$ 1,080,832
State	23,711

	1,104,543
Deferred (benefit) provision	(190,502)

Provision for income taxes	\$ 914,041
	=====

</TABLE>

The components of deferred tax assets and liabilities were as follows at September 30:

<TABLE>
<CAPTION>

	1996	1995
--	------	------

<u><S></u>	<u><C></u>	<u><C></u>
Deferred tax liabilities:		
Depreciation and amortization	\$ (39,075)	\$ (17,692)
Deferred tax assets:		
Net operating loss carryforwards	73,230	328,035
Bad debt reserve	102,000	27,200
Deferred compensation	-	2,977
Unrealized gain	127,577	26,425
Other	-	186
Total deferred tax assets	302,807	384,823
Valuation allowance	(73,230)	(367,131)
	229,577	17,692
Net deferred tax assets	\$ 190,502	\$ -0-

</TABLE>

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HOMECAPITAL INVESTMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED

11. INCOME TAXES, CONTINUED

The reconciliation between the income tax provision and the income tax expense using the Federal statutory rate is as follows:

<u><S></u>	<u>1996</u>	<u>1995</u>
<CAPTION>		
Federal tax at statutory rate of 34%	\$ 1,183,290	\$ (24,495)
State income taxes, net of federal tax benefit	15,649	-
Reduction of taxes provided in prior years	-	(12,010)
Expenses not deductible for tax purposes	9,003	5,057
Tax expense (benefit) before change in valuation allowance	1,207,942	(31,448)
Increase (decrease) in valuation allowance	(293,901)	31,448
Total income tax provision	\$ 914,041	\$ -

</TABLE>

During the year ended September 30, 1996, the Company reversed a substantial portion of the valuation allowance recorded in prior years, as management believes that it is more likely that not than the Company will realize the deferred tax asset.

12. GAIN ON SALE OF LOANS

Gain on sale of Loans, as defined in Note 2, and the related cost is as follows for the years ended September 30, 1996 and 1995:

<u><S></u>	<u>1996</u>	<u>1995</u>
<CAPTION>		
Gain on whole Loan sales	\$ 5,031,208	\$ 3,935,744
Excess servicing gain	5,169,521	-
	10,200,729	3,935,744
Premiums, net	(2,424,553)	(686,513)
Transaction costs	(22,669)	(47,740)
Gain on sale of Loans	\$ 7,753,507	\$ 3,201,491

</TABLE>

13. SUPPLEMENTAL CASH FLOW DISCLOSURE

<TABLE>
<CAPTION>

	1996	1995
<S>	<C>	<C>
Cash paid for interest	\$ 419,491	\$ 300,888
Noncash financing and investing activities:		
Conversion of preferred stock to common stock of parent	-	438,954
Preferred stock dividend accrual	76,932	38,954
Conversion of debt to equity	250,000	207,147

</TABLE>

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HOMECAPITAL INVESTMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED

14. COMMITMENTS AND CONTINGENCIES

The Company leases its office space at its corporate headquarters and six branch offices through operating leases expiring through 2001. Rent expense for the years ended September 30, 1996 and 1995 totaled \$270,670 and \$165,553, respectively.

The Company also leases certain office equipment under various capital leases. The economic substance of these leases is that the Company is financing the acquisition of the assets through the leases. Required minimum rental payments for the remaining terms of the leases are as follows:

<TABLE>
<CAPTION>

Years Ending	Capital Leases	Operating Leases
<S>	<C>	<C>
1997	\$ 10,718	\$ 315,662
1998	5,520	274,615
1999	465	276,020
2000	-	275,222
2001	-	177,619
Less amount representing interest	(2,351)	-
	\$ 14,352	\$ 1,319,138

</TABLE>

The loans sold by the Company are sold with limited recourse. In the event that the borrower defaults on its first payment the Company is committed to repurchasing the loan. The Company submits a claim for 90% of the principal amount of the loan to HUD under the Title I insured loan program for such repurchased loans after exhausting their collection efforts as required under the program. The remaining 10% of the loan is therefore uninsured.

The Company is a party to various lawsuits from time to time which arise during the normal course of business. In the opinion of management, the potential claims against the Company from the lawsuits would not materially affect the Company's financial position, results of operations, or cash flows.

Home is required to maintain adjusted net worth, as defined by HUD, amounting to \$250,000. At September 30, 1996, Home had adjusted net worth of \$5,115,716.

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HOMECAPITAL INVESTMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED

15. STOCK WARRANTS

At September 30, 1996 and 1995, HomeCapital had 53,005,856 and 59,708,656 Series A Warrants and 72,468 and 2,668 Series B Warrants outstanding, respectively. Holders of Series A Warrants are entitled to purchase one share of HomeCapital common stock at \$4 per share for each 100 warrants. In addition, upon exercise of Series A Warrants, the holder is issued one Series B Warrant. The holders of Series B Warrants are entitled to purchase one share of HomeCapital common stock at \$75 per share for each 100 Warrants. The Series A and B Warrants expire on December 31, 1996.

In addition, 456,170 warrants issued by Home prior to the acquisition of HomeCapital were outstanding as of September 30, 1996 and 1995, respectively. Each of these warrants entitle the holders to purchase one share of HomeCapital common stock for \$.20 per share and expire January 19, 1999. Subsequent to September 30, 1996, all of these warrants were exercised.

16. STOCK OPTIONS

In June of 1993, Home issued options to purchase 555 shares of its common stock at \$120 per share to one of its employees. As a result of the acquisition of HomeCapital, these options were converted into options to purchase 409,668 shares of HomeCapital stock at \$.16 per share. The options, which are fully exercisable as of September 30, 1996, expire in the year 2001. No shares have been exercised.

Effective March 21, 1996, the Board of Directors of the Company adopted the HomeCapital Investment Corporation 1996 Stock Option Plan, which was ratified by stockholder vote on August 16, 1996. The Stock Option Plan provides that up to 500,000 shares of Common Stock may be issued upon exercise of options granted under the Stock Option Plan, subject to adjustment to reflect stock splits, stock dividends, mergers and similar transactions. At September 30, 1996, options to purchase an aggregate of 200,000 shares of Common Stock had been granted under the Stock Option Plan with an exercise price of \$3.50 per share.

17. RELATED PARTY TRANSACTIONS

Home paid consulting fees and expenses of approximately \$74,252 and \$78,000 to certain directors of the Company for the years ended September 30, 1996 and 1995, respectively.

During the years ended September 30, 1996 and 1995, the Company paid inspection fees totaling \$69,715 and \$55,675, respectively, to a company controlled by a relative of the President of the Company.

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HEMOCAPITAL INVESTMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED

18. 401(K) PROFIT SHARING PLAN

Home sponsors a savings and investment plan intended to qualify under Section 401 of the Internal Revenue Code of 1986, as amended (the "Code"). All full-time employees of Home who are at least 20.5 years of age may participate in the plan. Participating employees may make pre-tax contributions, subject to limitations under the Code, not to exceed 18% of their total compensation. Home, in its sole discretion, may make matching contributions for the benefit of all participants who make pre-tax contributions, as well as discretionary contributions for the benefit of all participants regardless of whether they elect to make pre-tax contributions to the plan. All employee contributions are fully vested. Matching and discretionary contributions, will vest 20% after two years of service and an additional 20% per year of service thereafter, provided that such contributions become 100% vested upon an employee's death, disability or retirement. The plan was adopted January 1, 1995, and Home has not made any contributions to the plan through September 30, 1996.

19. SELECTED QUARTERLY DATA (UNAUDITED)

The following financial data summarizes quarterly results for the Company for the years ended September 30, 1996 and 1995:

<TABLE>
<CAPTION>

Three Months Ended

	December 31	March 31	June 30	September 30
<S>	<C>	<C>	<C>	<C>

Fiscal 1996				
Revenues	\$ 1,868,407	\$ 1,833,095	\$ 2,380,695	\$ 4,990,413
Net income (loss)	443,862	201,680	166,876	1,753,805
Income (loss) per common share	.059	.026	.020	.217
Fiscal 1995				
Revenues	919,527	981,692	1,178,344	1,302,713
Net income (loss)	(72,260)	(43,846)	138,202	(94,141)
Income (loss) per common share	(.015)	(.007)	.020	(.014)

</TABLE>

20. SEGMENT INFORMATION (UNAUDITED)

For the years ended September 30, 1996 and 1995, Title I Loan origination and production (exclusive of paydowns and repurchases) is summarized as follows:

<TABLE>
<CAPTION>

Source of Loan Production	1996		1995	
	Amount	%	Amount	%
<S>	<C>	<C>	<C>	<C>
Correspondent Loans	\$ 76,020,078	78.3%	\$ 35,062,570	58.4%
Dealer Loans	15,440,132	15.9	19,686,770	32.8
Direct Loans	5,606,397	5.8	5,308,198	8.8
Total Title I Loans	\$ 97,066,607	100%	\$ 60,057,538	100%

</TABLE>

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HEMECAPITAL INVESTMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS, CONTINUED

20. SEGMENT INFORMATION (UNAUDITED), CONTINUED

Of the Title I Loans originated in fiscal 1996 and 1995, five Loan Correspondents and three Loan Correspondents accounted for 36.8% and 17.1%, respectively, of total Title I Loan production. Each of these Loan Correspondents individually accounted for more than 5% of total Title I Loan production.

The following table sets forth the states that represent the geographic location of Loan originations greater than 3% of total Title I Loans for the years ended September 30, 1996 and 1995:

<TABLE>
<CAPTION>

State	1996	1995
<S>	<C>	<C>
California	67.3%	55.3%
Texas	17.9	33.0
Florida	4.0	-
Nevada	4.3	4.5
	93.5%	92.8%

</TABLE>

The Company also originates conventional home improvement Loans through several arrangements with other home improvement lenders on a pre-approved basis. Total conventional loans originated in fiscal 1996 and 1995 were \$3,105,374 and \$1,795,325, respectively. At September 30, 1996 and 1995, \$52,462 and \$0, respectively, of conventional loans were held for sale under firm purchase commitments.

Prior to October 1995, the Company sold all of its loans held for sale on a servicing released basis. In October 1995, the Company commenced selling the majority of its loan production to its warehouse lender on a servicing retained basis. Additionally, effective March 1, 1996, the Company was approved as a Seller/Servicer with Fannie Mae to sell Title I Loans to Fannie Mae with servicing retained. The Company began selling Title I Loans to Fannie Mae in June 1996. Following is a summary of loans sold during the years ended September 30, 1996 and 1995:

<TABLE>

<CAPTION>

Title I Loans Sold:	1996	1995
-----	-----	-----
<S>	<C>	<C>
Servicing released	\$ 3,411,890	\$ 61,222,623
Servicing retained:		
Financial institutions	61,318,895	-
Fannie Mae	29,711,453	-
	-----	-----
	91,030,348	-
	-----	-----
Total Title I Loans Sold	\$ 94,442,238	\$ 61,222,623
	=====	=====

</TABLE>

HOMECAPITAL INVESTMENT CORPORATION

AMENDMENTS TO
CERTIFICATE OF DESIGNATION
OF
PREFERRED STOCK, SERIES A

HOMECAPITAL INVESTMENT CORPORATION, a Nevada corporation (the "Corporation"), DOES HEREBY CERTIFY:

That, pursuant to the authority conferred upon the Board of Directors of the Corporation by virtue of its Articles of Incorporation, as amended, and in accordance with the Revised Statutes of the State of Nevada, and pursuant to the authority conferred upon the Board of Directors by the Certificate of Designation of Preferred Stock, Series A, of the Corporation filed in accordance with the Revised Statutes of the State of Nevada effective June 14, 1996 (the "Certificate of Designation"), the Board of Directors of the Corporation has duly adopted the following resolutions on and as of September 30, 1996, for the purpose of amending the Certificate of Designation of the Corporation to modify the redemption provisions thereof and related rights of the Corporation and holders of shares of the Preferred Stock, Series A, par value \$.01 per share (the "Series A Stock"), thereto:

"WHEREAS, at the request of the Corporation, the holders of in excess of fifty percent (50%) of all of the issued and outstanding shares of Preferred Stock, Series A ("Series A Stock"), of the Corporation have agreed to waive and relinquish all rights to require the Corporation to redeem shares of issued and outstanding Series A Stock and have consented to the amendment of the Certificate of Designation of the Series A Stock as filed and effective June 14, 1996 ("Certificate of Designation"), so as to eliminate the right of holders of Series A Stock to put or otherwise require the Corporation to redeem or purchase issued and outstanding shares of Series A Stock; and

WHEREAS, at the request of the holders of in excess of fifty percent (50%) of the issued and outstanding shares of Series A Stock, the Corporation has agreed to defer for an additional year, from May 31, 1997 to May 31, 1998, the date after which the Corporation may call outstanding shares of Series A Stock for redemption pursuant to the Certificate of Designation; and

WHEREAS, the holders of in excess of fifty percent (50%) of the issued and outstanding shares of Series A Stock have agreed and consented in writing to the following amendments to the Certificate of Designation:

NOW, THEREFORE, BE IT RESOLVED, that pursuant to the authority vested in the Board of Directors of the Corporation by the Articles of Incorporation, as amended, of the Corporation, and pursuant to the authority conferred upon the

Board of Directors by the Certificate of Designation, the Board of Directors hereby amends the Certificate of Designation as follows:

(1) Section 5 of the Certificate of Designation is hereby amended, so as to defer for an additional year the date after which the Corporation may call the Series A Stock for redemption. Accordingly, the first sentence of paragraph (a) of Section 5 of the Certificate of Designation is amended so as to read in its entirety as follows:

'The shares of Series A Stock may be redeemed, in whole or in part, at any time from time to time or on or after May 31, 1998, at the option of the Corporation out of funds legally available therefor, at a redemption price of One and 50/100 Dollars (\$1.50) per share plus accrued dividends ("Redemption Price").'

(2) Section 5 of the Certificate of Designation is amended, so as to eliminate the right of holders of Series A Stock to demand that the Corporation redeem the outstanding shares of Series A Stock. Accordingly, the provisions of paragraph (c) of Section 5 of the Certificate of Designation are hereby deleted in their entirety, the parenthetical expression in the first sentence of paragraph (d) of the Certificate of Designation that refers to a "Mandatory Redemption Date" is hereby deleted in its entirety, and paragraph (d) of Section 5 of the Certificate of Designation is hereby redesignated as paragraph (c) of Section 5 of the Certificate of Designation.

FURTHER RESOLVED, that the Certificate of Designation, as amended, modified and revised pursuant to these resolutions, be and it is hereby restated in its entirety and attached hereto as the Amended Certificate of Designation, and shall become effective, as amended, upon filing in the Office of the Secretary of State of Nevada and as otherwise may be required by law.

FURTHER RESOLVED, that all holders of Series A Stock shall be notified of the foregoing amendments to the Certificate of Designation, and that all certificates evidencing shares of Series A Stock shall be surrendered to the Corporation and stamped or printed with a conspicuous legend giving notice of the foregoing amendments to the Certificate of Designation.

FURTHER RESOLVED, that the proper officers of the Corporation are hereby authorized and directed to do all acts and things which be necessary or advisable to carry into effect the purposes and intent of this and the foregoing resolutions."

The holders of in excess of fifty percent (50%) of the issued and outstanding shares of Series A Stock of the Corporation have duly agreed and consented in writing to the foregoing amendments to the Certificate of Designation of the Corporation, and due notice thereof has been given to all holders of issued and outstanding shares of Series A Stock of the Corporation who have not agreed or consented in writing to the amendments to the Certificate of Designation in accordance with law.

IN WITNESS WHEREOF, HomeCapital Investment Corporation has caused this certificate to be duly executed effective on and as of this 30th day of September, 1996.

HEMECAPITAL INVESTMENT CORPORATION

ATTEST:

/s/ Anna M. Walker

By: /s/ John W. Ballard

ANNA M. WALKER, Assistant Secretary

JOHN W. BALLARD, President

State of Texas

County of Travis

This instrument was acknowledged before me on December 18, 1996 by John W. Ballard as President, and Anna M. Walker, as Assistant Secretary, of HomeCapital Investment Corporation, a Nevada corporation.

/s/ Glenda Houchin

Notary Public, State of Texas

HEMECAPITAL INVESTMENT CORPORATION

AMENDED CERTIFICATE OF DESIGNATION OF PREFERRED STOCK, SERIES A

HEMECAPITAL INVESTMENT CORPORATION, a Nevada corporation (the "Corporation"), DOES HEREBY CERTIFY:

That, pursuant to the authority conferred upon the Board of Directors of the Corporation by virtue of its Articles of Incorporation, as amended, and in accordance with the Revised Statutes of the State of Nevada, the Board of Directors of the Corporation has duly adopted the following resolution on and as of September 30, 1996 (amending and restating the resolution of the Board of Directors duly adopted on and as of May 3, 1996), for the purpose of establishing and designating a series of Preferred Stock, par value \$.01 per

share, of the Corporation and fixing the voting powers, preferences, limitations, restrictions and relative rights thereof:

"RESOLVED, that pursuant to the authority vested in the Board of Directors of the Corporation by the Articles of Incorporation, as amended, of the Corporation, the Board of Directors hereby authorizes and provides for the issue of a series of Preferred Stock, \$.01 par value per share, of the Corporation to be designated as Preferred Stock, Series A, consisting of 1,500,000 shares, and does hereby fix, state and express the designations, voting powers, preferences and relative, participating, optional and other special rights, and the qualifications, limitations and restrictions thereof as follows:

SECTION 1. DESIGNATION. The series of Preferred Stock having the rights, preferences, privileges, and restrictions set forth herein shall be designated and known as the "Preferred Stock, Series A" of the Corporation (hereinafter referred to as "Series A Stock"). Each share of Series A Stock shall be identical in all respects with all other shares of Series A Stock.

SECTION 2. NUMBER OF SHARES. The number of shares constituting all of the Series A Stock shall be 1,500,000. Shares of Series A Stock that are redeemed, purchased or otherwise acquired by the Corporation or converted into Common Stock of the Corporation shall be cancelled and shall revert to authorized but unissued shares of Preferred Stock undesignated as to series.

SECTION 3. DIVIDENDS. The holders of shares of Series A Stock shall be entitled to receive, when, as and if declared by the Board of Directors, which declaration shall be made by the Board of Directors and dividends shall be paid for each of the first four full quarterly periods following the issuance of the Series A Stock, but only in each case out of funds legally available therefor, cumulative cash dividends at the annual rate of \$.18 per share, and no more, payable quarterly on the first days of March, June, September and December, respectively, in each year, commencing September 1, 1996, with respect to the quarterly dividend period (or portion thereof) ending on the day preceding such respective dividend

payment date, to holders of record on the respective date, not more than sixty (60) nor less than ten (10) days preceding such dividend payment date, fixed for such purpose by the Board of Directors in advance of payment of each particular dividend. So long as any share of Series A Stock remains outstanding, no dividend whatever shall be paid or declared and no distribution shall be made on any junior stock, other than a dividend payable solely in junior stock, and no shares of junior stock shall be purchased, redeemed or otherwise acquired for consideration by the Corporation, directly or indirectly (other than as a result of a reclassification of junior stock, or the exchange or conversion of one share of junior stock, in each case, for or into another share of junior stock), unless all accrued dividends on all outstanding shares of Series A Stock for all past quarterly dividend periods shall have been paid and the full dividend thereon for the then current quarterly dividend period shall have been paid or declared and set apart for payment. Subject to the foregoing, and not otherwise, such dividends (payable in cash, stock or otherwise) as may be

determined by the Board of Directors may be declared and paid on any junior stock from time to time out of any funds legally available therefor, and the shares of Series A Stock shall not be entitled to participate therein. No interest or penalty shall be payable on accrued dividends of Series A Stock.

SECTION 4. LIQUIDATION RIGHTS. In the event of any liquidation, dissolution or winding up of the Corporation, either voluntary or involuntary, the holders of shares of Series A Stock shall be entitled to be paid out of the assets of the Corporation legally available for distribution to its stockholders, before any payment or declaration and setting apart for payment of any amount shall be made in respect of the Common Stock, an amount equal to \$1.50 per share of Series A Stock, plus an amount equal to any accrued dividends, and no more. If upon the occurrence of such event the assets distributable among the holders of Series A Stock shall be insufficient to permit the payment of the full preferential amounts for the Series A Stock, then the entire assets and funds of the Corporation legally available for distribution to its stockholders shall be distributed among the holders of Series A Stock then outstanding ratably per share in proportion to the full preferential amounts per share to which they are respectively entitled. After the holders of Series A Stock have received payment or distribution of their full preferential amounts, the remaining assets of the Corporation available for distribution to its stockholders shall be distributed ratably to the holders of the outstanding shares of Common Stock, except to the extent otherwise provided in the designation of any series of capital stock. For the purposes of this Section 4, the consolidation or merger of the Corporation with any other corporation shall not be deemed to constitute a liquidation, dissolution or winding up of the Corporation.

SECTION 5. REDEMPTION.

(a) The shares of Series A Stock may be redeemed, in whole or in part, at any time from time to time or on or after May 31, 1998, at the option of the Corporation out of funds legally available therefor, at a redemption price of One and 50/100 Dollars (\$1.50) per share plus accrued dividends ("Redemption Price"). In case of redemption of a part only of the shares of Series A Stock at the time outstanding, the redemption may be either pro rata or by lot. The Board of Directors shall have full power and authority, subject to the

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provisions herein contained, to prescribe the terms and conditions upon which shares of Series A Stock shall be redeemed from time to time.

(b) Notice of redemption of Series A Stock shall be mailed by first class mail, postage prepaid, addressed to the holders of record of shares of the Series A Stock at the last addresses as they shall appear on the books of the Corporation ("Redemption Notice") at least 10 days and not more than 30 days prior to the redemption date (the "Redemption Date"). Any notice which is mailed in the manner herein provided shall be conclusively presumed to have been duly given, whether or not the stockholder receives such notice, and failure duly to give such notice by mail, or any defect in such notice, to any holder of shares

of Series A Stock designated for redemption shall not affect the validity of the proceedings for the redemption of any other shares of Series A Stock. The Redemption Notice shall set forth the Redemption Price and the place where holders of shares of Series A Stock may receive the Redemption Price upon tendering certificates for shares of Series A Stock in the manner set forth in the Redemption Notice.

(c) If on or before the Redemption Date all funds necessary for such redemption shall have been set aside by the Corporation, separate and apart from its other funds, in trust for the pro rata benefit of the holders of Series A Stock, so as to be and continue to be available therefor, then from and after the Redemption Date, notwithstanding that any certificate for shares of Series A Stock shall not have been surrendered for cancellation, the shares represented thereby shall no longer be deemed outstanding, and all rights with respect to shares of Series A Stock shall forthwith on the Redemption Date cease and terminate except only as to the right of the holders thereof to receive the redemption price of such shares so to be redeemed. Any funds so set aside or deposited by the Corporation which shall not be required for such redemption because of the exercise of any right of conversion or exchange subsequent to the date of such deposit shall be released or repaid to the Corporation forthwith. Any moneys so set aside by the Corporation and unclaimed at the end of three (3) years from the Redemption Date shall revert to the general funds of the Corporation.

SECTION 6. CONVERSION RIGHTS. The holders of shares of Series A Stock shall have the right, at their option, to convert all or any part of the shares of Series A Stock into shares of Common Stock at any time on and subject to the following terms and conditions.

(a) Shares of Series A Stock shall be convertible at the office of the Corporation, or, if the Corporation shall then have a transfer agent for Common Stock, at the office of such transfer agent, into one (1) fully paid and nonassessable share of Common Stock for each share of Series A Stock (the "Conversion Rate"), subject to adjustment as provided in this Section 6. Upon conversion of any shares of Series A Stock and at the time of delivery of certificate for shares of Common Stock into which the shares of Series A Stock is converted ("Conversion Common Stock"), the Corporation, at its option, shall either (i) pay to the holder in cash by bank check drawn on immediately available funds the amount of any accrued but unpaid dividends, or (ii) issue additional shares of Conversion Common

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Stock to the holder of the Series A Stock in payment and discharge of accrued dividends at the Dividend Conversion Price (as hereinafter defined) per share of Common Stock.

(b) Before any holder shall be entitled to convert shares of Series A Stock into shares of Common Stock, such holder shall: (i) surrender the certificate or certificates representing shares of Series A Stock to be

converted, duly endorsed or assigned to the Corporation or in blank, at the office of the Corporation, or, if the Corporation shall then have a transfer agent for the Common Stock, at the office of such transfer agent; (ii) give written notice to the Corporation at such office, attention to its Secretary, that such holder elects to convert Series A Stock into Common Stock; and (iii) state in such written notice the number of shares of Series A Stock to be converted and the denominations in which such holder wishes the certificate or certificates for Common Stock to be issued. The Corporation will, as soon as practicable thereafter, cause to be issued and delivered to such holder certificates for the number of full shares of Common Stock and Series A Stock to which such holder shall be entitled as aforesaid, together with payment of any accrued dividends to be paid in cash and payment in lieu of any fraction of a share, as hereinafter provided. Such conversion shall be deemed to have been made as of the close of business on the date the certificate or certificates representing shares of Series A Stock to be converted are surrendered and received at the office of the Corporation, or, if the Corporation shall then have a transfer agent for the Common Stock, at the office of such transfer agent (the close of business on such date being herein called the "Conversion Date"), so that the rights of such holder as to such shares of Series A Stock shall cease at such time, and the holder shall be entitled to receive the shares of Common Stock upon conversion of such shares of Series A Stock and shall be treated for all purposes as having been the recordholder of such shares of Common Stock at such time, and such conversion shall be at the Conversion Rate in effect at such time. In case shares of Series A Stock are called for redemption, the right to convert such shares shall cease and terminate at the close of business on the third full business day prior to the date fixed for redemption, unless default shall be made in payment of the Redemption Price.

(c) No fractional shares of Common Stock shall be issued upon conversion of shares of Series A Stock, but, instead of any fraction of a share which would otherwise be issuable, the Corporation shall pay a cash adjustment in respect of such fraction in an amount equal to the same fraction of the Dividend Conversion Price on the Conversion Date.

(d) In the event that, while any shares of Series A Stock shall remain outstanding, the Corporation shall at any time (i) subdivide its outstanding Common Stock into a greater number of shares, or (ii) combine the outstanding shares of Common Stock into a smaller number of shares, or (iii) issue additional shares of Common Stock as a dividend or other distribution on the Common Stock, the Conversion Rate in effect immediately prior to such subdivision or combination or stock dividend or stock distribution shall be proportionately adjusted so that, with respect to each such subdivision of shares or stock dividend or stock distribution, the number of shares of Common Stock deliverable upon conversion of each share of Series A Stock shall be increased in proportion to the increase in the number of

then outstanding shares of Common Stock resulting from such subdivision of shares of stock dividend or stock distribution, and with respect to each such

combination of shares, the number of shares of Common Stock deliverable upon conversion of each share of Series A Stock shall be decreased in proportion to the decrease in the number of then outstanding shares of Common Stock resulting from such combination of shares. Any such adjustment in the Conversion Rate shall become effective, in the case of any subdivision or combination of shares, at the close of business on the effective date thereof, and, in the case of any such stock dividend or stock distribution, at the close of business on the record date fixed for the determination of stockholders entitled thereto or on the first business day during which the stock transfer books of the Corporation shall be closed for the purpose of such determination, as the case may be. Whenever the Conversion Rate shall be adjusted pursuant to this Section 6(d), and the Corporation shall have a transfer agent for the Common Stock, the Corporation shall, within thirty (30) days after such adjustment becomes effective, file a notice of the Conversion Rate, as adjusted, with such transfer agent.

(e) In the event that, while any shares of Series A Stock shall remain outstanding, there shall be any consolidation or merger of the Corporation with another corporation, or a sale to another corporation of all or substantially all of the property of the Corporation (otherwise than for a consideration which, apart from the assumption of liabilities, consists substantially or entirely of cash), or a reclassification of the Common Stock of the Corporation into securities including other than Common Stock, holders of Series A Stock shall thereafter have the right to convert such shares of Series A Stock (or such other stock or securities) into the kind and amount of shares of stock and other securities and property receivable upon such consolidation, merger, or reclassification by a holder of the number of shares of Common Stock into which such shares of Series A Stock could have been converted immediately prior to such consolidation, merger, or reclassification. The instruments effecting such consolidation, merger, or reclassification and, where appropriate, the articles of incorporation of the surviving or resulting or purchasing corporation shall provide for such conversion rights and for adjustments which shall be as nearly as equivalent as practicable to the adjustments provided for in this Section 6, and the provisions of this Section 6 shall similarly apply to successive consolidations, mergers, sales, or reclassifications. In case securities or property other than Common Stock shall be issuable or deliverable upon conversion as aforesaid, then all references to stock in this Section 6(e) shall be deemed to apply, so far as appropriate and as nearly as may be, to such other securities or property.

(f) The issuance of certificates for shares of Common Stock upon conversion of shares of Series A Stock shall be made without charge to the holders of Series A Stock for any original issuance tax in respect of the issuance of such certificates, and such certificates shall be issued in the name of, or in such name or names as may be directed by, the holders of Series A Stock; provided, however, that the Corporation shall not be required to pay any transfer tax which may be payable in respect of any transfer involved in the issuance and delivery of any such certificate in a name or names other than that of the holders of Series A Stock and the Corporation shall not be required to issue or deliver such certificates unless and until the holders of Series A Stock shall have paid to the Corporation the amount of

such tax or shall have established to the satisfaction of the Corporation that such tax has been paid.

(g) No adjustment in the Conversion Rate shall be required unless such adjustment would require an increase or decrease of at least 1% in the Conversion Rate; provided, however, that any adjustments which by reason of this Section 6(g) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations with respect to this Section 6 shall be made to the nearest cent or to the nearest 1/100th of a share, as the case may be. The certificate of any independent firm of public accountants of recognized standing selected by the Board of Directors shall be presumptive evidence of the correctness of any computation made under this Section 6.

(h) In the event of the occurrence of any event or transaction not contemplated by this Section 6 that would require an adjustment to the Conversion Rate to remain consistent with the intent and purpose of this Section 6, then the Board of Directors shall make such adjustment to the Conversion Rate as they shall deem reasonable and consistent with the intentions and purposes of this Section 6 and general principles of equity. The Board of Directors shall have the power to resolve any ambiguity or correct any error in this Section 6, and its action in so doing shall be final and conclusive.

(i) In the event that the shares of Conversion Common Stock, when issued, shall have not have been registered under the Securities Act of 1933, as amended ("Securities Act"), or applicable state securities laws ("State Laws"), then the shares of Conversion Common Stock shall be deemed to be "Restricted Shares" and may not be sold, distributed, assigned, offered, pledged, or otherwise transferred unless (i) there is an effective registration statement under the Securities Act and the State Laws covering any such transaction involving the Conversion Common Stock, (ii) the Corporation receives an opinion of legal counsel for the holder of the Conversion Common Stock reasonably satisfactory to the Corporation stating that such transaction is exempt from such registration, or (iii) the Corporation otherwise satisfies itself that such transaction is exempt from such registration; and certificates representing any of the Conversion Common Stock shall bear a legend to the foregoing effect, and the transfer agent, if any, of the Corporation with respect to Common Stock of the Corporation shall be given a stop order by the Corporation with respect to any proposed transfer of Conversion Common Stock that shall be Restricted Shares.

SECTION 7. VOTING RIGHTS. Each outstanding share of Series A Stock shall be entitled to one (1) vote on any matter submitted to a vote of the stockholders of the Corporation. Notwithstanding the foregoing, however, the consent of the holders of at least a majority of the outstanding shares of Series A Stock, voting separately as a single class, shall be necessary to approve an amendment to the Articles of Incorporation or Bylaws of the Corporation, or an act of the

Corporation, or a transaction involving the Corporation, that would: (i) increase or decrease the aggregate number of authorized shares of Series A Stock; (ii) effect an exchange, reclassification, or cancellation of all or part of Series A Stock; (iii) effect or require an exchange or conversion of all or any part of the shares of another

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class of stock into Series A Stock; (iv) change, in a manner prejudicial to the holders of shares of Series A Stock, the designations, preferences, limitations, or relative rights of Series A Stock or shares of any other class of stock; (v) create a new class or enlarge an existing class of shares of stock having rights or preferences senior or superior to the Series A Stock, or increase the rights or preferences of any class of stock having rights or preferences senior or superior to the Series A Stock; or (vi) authorize the payment of a dividend in the form of shares of Series A Stock.

SECTION 8. DEFINITIONS. As used herein with respect to Series A Stock, the following terms shall have the following meanings:

(a) The term "junior stock" shall mean the Common Stock and any other class or series of stock of the Corporation hereafter authorized over which Series A Stock has preference or priority in the payment of dividends or in the distribution of assets on any liquidation, dissolution or winding up of the Corporation.

(b) The term "accrued dividends," with respect to any share of any class or series, shall mean an amount computed at the annual dividend rate for the class or series of which the particular share is a part, from the date on which dividends on such shares became cumulative to and including the date to which such dividends are to be accrued, whether or not declared by the Board of Directors, less the aggregate amount of all dividends theretofore paid thereon.

(c) The term "business day" shall mean each Monday, Tuesday, Wednesday, Thursday or Friday on which banking institutions in Austin, Travis County, Texas, are not authorized or obligated by law or executive order to close.

(d) The term "Dividend Conversion Price" on any day shall mean the average of the average of the reported closing bid and asked prices regular way, in each case on the New York Stock Exchange, or, if the Common Stock is not listed or admitted to trading on such exchange, on the American Stock Exchange, or, if the Common Stock is not listed or admitted to trading on such exchange, on the principal national securities exchange on which the Common Stock is listed or admitted to trading, or, if the Common Stock is not listed or admitted to trading on any national securities exchange, the average of the average of the closing bid and asked prices in the over-the-counter market as reported by the National Association of Securities Dealers' Automated Quotation System, or, if not so reported, as reported by the National Quotation Bureau, Incorporated, or any successor thereof, or, if not so reported, the average of the average of the closing bid and asked prices as furnished by any member of that National

Association of Securities Dealers, Inc. selected from time to time by the Corporation for that purpose, for the five (5) Trading Days (as hereinafter defined) immediately preceding the determination date; provided, however, that if the shares of Common Stock to which the Dividend Conversion Price is to be attributable are Restricted Shares, then, notwithstanding the foregoing, the Dividend Conversion Price shall be deemed to be and mean a value equal to seventy-five percent (75%) of the Dividend Conversion Price determined in the foregoing clause.

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(e) The term "Trading Day" shall mean a day on which the principal national securities exchange on which the Common Stock is listed or admitted to trading is open for the transaction of business or, if the Common Stock is not listed or admitted to trading on any national securities exchange, a Monday, Tuesday, Wednesday, Thursday or Friday on which banking institutions in Austin, Travis County, Texas are not authorized or obligated by law or executive order to close.

SECTION 9. OTHER RIGHTS. The shares of Series A Stock shall not have any preemptive right to acquire any other shares of capital stock or other securities of the Corporation or securities convertible into shares of capital stock of the Corporation (herein "preemptive rights"), or any other powers, preferences or relative, participating, optional or other special rights, or qualifications, limitations or restrictions thereof, other than as set forth herein; provided that, in the event that the holders of shares of Common Stock of the Corporation are granted any preemptive rights generally, then the holders of shares of Series A Stock shall be entitled to exercise the same preemptive rights in respect of the shares of Series A Stock of such holder as the shares of Conversion Common Stock into which the Series A Stock may be convertible would otherwise be entitled.

FURTHER RESOLVED, that the proper officers of the Corporation are hereby authorized and directed to do all acts and things which be necessary or advisable to carry into effect the purposes and intent of this and the foregoing resolutions."

IN WITNESS WHEREOF, HomeCapital Investment Corporation has caused this certificate to be duly executed effective on and as of this 30th day of September, 1996.

HEMOCAPITAL INVESTMENT CORPORATION

By: /s/ John W. Ballard

JOHN W. BALLARD, President

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MASTER AGREEMENT NO. MD01546

May 8, 1996

Mr. John Ballard
Home, Inc.
6836 Austin Center Blvd., Suite 280
Austin, TX 78731

Dear Mr. Ballard:

This letter shall constitute the master agreement ("Master Agreement") between the Federal National Mortgage Association ("Fannie Mae") and Home, Inc. (the "Lender") to enter into one or more transactions for the sale by the Lender and purchase by Fannie Mae of residential mortgage loans ("Mortgages"). The obligations of the Lender and Fannie Mae regarding each such transaction shall be governed by the terms and conditions contained herein (including Exhibit 1

and each of the Attachments attached hereto and incorporated herein by reference) and by the terms and conditions of the applicable Fannie Mae purchase program ("Program").

The Lender will sell to Fannie Mae, beginning on the Effective Date and ending on the Expiration Date (as those terms are defined in Exhibit 1), Mortgages with

an aggregate outstanding principal balance equal to the Agreed Amount (as defined in Exhibit 1) under one or more of the following Programs:

(a) Fannie Mae's Mortgage-Backed Securities Program, under terms mutually acceptable to the Lender and Fannie Mae and which will be set forth herein and under the applicable MBS Pool Purchase Contract obtained through the Lender's Fannie Mae lead regional office, or

(b) Fannie Mae's Negotiated Transaction Program for cash purchase under terms mutually acceptable to Lender and Fannie Mae and which will be set forth herein and when applicable, under a special commitment obtained through the Lender's Fannie Mae lead regional office, or

(c) Fannie Mae's Standard Portfolio (cash) purchase commitment Program, under the then-current terms and conditions applying thereto.

If the Agreed Amount is not sold to Fannie Mae prior to the Expiration Date, the Lender shall pay Fannie Mae the Back-end Buyout Fee, as indicated in Exhibit

1. (The undelivered and uncommitted portion of the Agreed Amount shall be the
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difference between (a) the Agreed Amount (taking into account the minus 5.00%
delivery tolerance, as specified in Exhibit 1), and (b) a sum equal to the

aggregate outstanding principal balance of Mortgages (for each Mortgage, as of
the time of sale of the Mortgage) that the Lender has sold to Fannie Mae under
this Master Agreement, plus the principal balance of Mortgages that the Lender
is still obligated to sell under any existing mandatory delivery contracts for
sale and purchase between the Lender and Fannie Mae.) This fee will be drafted
by Fannie Mae from the Lender's designated account immediately following the
Expiration Date of this Master Agreement. Fannie Mae's right to receive such a

fee is in addition to any rights and remedies of Fannie Mae provided by law or
the applicable Program, and the receipt of such fee shall not affect or impair
any such rights and remedies.

All Mortgages shall conform to the requirements of the Mortgage Selling and
Servicing Contract between Fannie Mae and the Lender, the Fannie Mae Selling
Guide ("Selling Guide"), and the Fannie Mae Servicing Guide ("Servicing Guide"),
as applicable, as they may be amended from time to time, except as modified by
the variances contained in this Master Agreement and in the applicable Contracts
(defined below) entered into pursuant to this Master Agreement. (Any pool
purchase contract, in the case of MBS transactions, and cash commitment
contracts or voice recordings, in the case of cash transactions, are referred to
herein as a "Contract.")

Each Contract entered into under this Master Agreement constitutes: (i) an
agreement by the Lender to sell the Mortgages to, and service such Mortgages
for, Fannie Mae and (ii) an agreement by Fannie Mae to purchase the Mortgages
and, in the case of MBS transactions, to issue its Guaranteed Mortgage Pass-
Through Securities (the "Securities") backed by such Mortgages to the Lender or
its designee(s). By execution of this Master Agreement, the Lender and Fannie
Mae agree to the terms and conditions set forth herein and in any Contract
entered into simultaneously with this Master Agreement.

The Lender shall not disseminate or disclose in any manner any of the terms or
conditions of, or the form of, this Master Agreement to any person or entity
other than Lender's employees and agents who need to know the same in order to
perform their duties for the Lender, and who are legally obligated not to
further disseminate or disclose the same, unless the Lender is required by law
to do so and has given Fannie Mae prior written notice of such requirement and
of the information required to be disseminated or disclosed.

The Lender's right to sell, and Fannie Mae's obligation to purchase, Mortgages
under this Master Agreement may be terminated by Fannie Mae prior to the
Expiration Date of the Master Agreement if the Lender has breached the Mortgage
Selling and Servicing Contract it has entered into with Fannie Mae, or any of
the provisions of this Master Agreement, or any Contract entered into pursuant

to this Master Agreement. The Lender's responsibilities and liabilities under this Master Agreement shall survive the expiration or earlier termination of the Lender's right to sell, and Fannie Mae's obligation to purchase Mortgages under this Master Agreement. This Master Agreement and any Contract entered into pursuant to this Master Agreement may only be amended by the mutual agreement of Fannie Mae and the Lender. Each amendment shall be in writing and shall consist of a transmittal letter from Fannie Mae to the Lender generally describing the amended provisions of the Master Agreement or the Contract, together with the newly revised pages of the Master Agreement or the Contract. The revised pages of the Master Agreement or the Contract should be added to the Master Agreement as described in the transmittal letter. The Lender shall acknowledge its acceptance of the amended terms and conditions by returning to Fannie Mae a duly executed copy of the transmittal letter.

The Lender may not assign this Master Agreement or any rights or obligations hereunder. The Lender may not assign any Contract entered into pursuant to this Master Agreement or any rights or obligations thereunder.

The Lender hereby confirms, by checking the appropriate section below, that:

5/01/96

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It is not a federally-insured institution or an affiliate or subsidiary of

a federally-insured institution.

It is a federally-insured institution or an affiliate or subsidiary of a
federally-insured institution, and

(a) the sale to, and (if applicable) servicing for, Fannie Mae of the Mortgages delivered to Fannie Mae pursuant to this Master Agreement has either been (i) specifically approved by the board of directors of the Lender and such approval is reflected in the minutes of the meetings of such board of directors, or (ii) approved by an officer of the Lender who was duly authorized by the board of directors to enter into such types of transactions and such authorization is reflected in the minutes of the board of directors' meetings; and

(b) this Master Agreement and any Contracts or amendments pursuant hereto, together with the applicable Fannie Mae Guides and the Mortgage Selling and Servicing Contract between the Lender and Fannie Mae, constitute the "written agreement" governing the Lender's sale to, and servicing for, Fannie Mae of the Mortgages delivered pursuant to this Master Agreement, and the Lender (or any successor thereto) shall continuously maintain all components of such "written agreement" as an official record.

The Lender must accept this Master Agreement by returning a duly-executed duplicate original to Fannie Mae within ten business days of the date of this

Master Agreement. If the executed Master Agreement is not received by Fannie Mae within ten business days from the date hereof, Fannie Mae may at its option declare this Master Agreement null and void.

Sincerely,

FEDERAL NATIONAL MORTGAGE ASSOCIATION

By: _____
Jerome Brister
Regional Vice President

Agreed, acknowledged, and accepted this 9th day of May, 1996.

HOME, INC.

By: _____

Name: John W. Ballard

Title: President/CEO

5/01/96

Master No. MD01546
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EXHIBIT 1

<TABLE>

<S>	<C>
Master Agreement Number:	MD01546
Effective Date:	MAY 1, 1996
Expiration Date:	APRIL 30, 1997
Parties to Agreement:	HOME, INC. AND THE FEDERAL NATIONAL MORTGAGE ASSOCIATION
Lender Number:	23772-000-8
Agreed Amount:	\$12,000,000.00, PLUS OR MINUS 5.00% (MANDATORY) \$-0- (OPTIONAL)
Back-end Buyout Fee:	The greater of \$1,000.00 OR 12.50 BASIS POINTS

(.1250%) multiplied by the undelivered and uncommitted portion of the Mandatory Agreed Amount.

</TABLE>

5/01/96

Master No. MD01546
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[LETTERHEAD OF FANNIE MAE APPEARS HERE]

July 2, 1996

Home, Inc.
6836 Austin Center Blvd., Suite 280
Austin, TX 78731
Attention: Mr. John Ballard

Dear Mr. Ballard:

Subject: Master Agreement Number No.: MD01546
Amendment: FIRST
Lender Number: 237724)00-8

Dear Mr. Ballard:

By execution of this Letter Agreement, the Federal National Mortgage Association ("Fannie Mae") and Home, Inc. (the "Lender") agree to amend the above-referenced Master Agreement and Contract (if applicable). The amended terms and conditions are set forth in the amended pages to the Master Agreement and (if applicable) the Contract attached to this Letter Agreement. The attachments should be inserted into the Lender's Master Agreement binder as described below. Capitalized terms used but not defined in this Letter Agreement, shall have the meanings set forth in the Master Agreement.

For your convenience, we have summarized the amended terms and conditions below. However, the summary set forth below is for reference purposes only. The Lender and Fannie Mae shall rely solely on the attached amended pages for a complete description of the amended terms and conditions.

The amended terms and conditions:

1. AMENDED TERM: Increase volume to \$30,000,000.00 (Mandatory).

INSTRUCTIONS: (1) Replace page MA-4 (EXHIBIT 1) in your Master Agreement binder with the enclosed page MA4 (EXHIBIT 1).
(2) All replaced pages and this letter should be inserted in the "Amendment History" section of your binder.

By execution of this Letter Agreement, Fannie Mae and the Lender agree to and accept the amended terms and conditions as set forth in the attachments to this Letter Agreement. The effective date of the amendments is the date of execution of this Letter Agreement by the Lender. The Lender shall return a duly-executed

duplicate original of this Letter Agreement to Fannie Mae within ten business days of the date this Letter Agreement is executed by Fannie Mae. If Fannie Mae does not receive an executed duplicate original of this Letter Agreement from the Lender within ten business days, Fannie Mae may, at its option, declare this Letter Agreement null and void.

Sincerely,

FEDERAL NATIONAL MORTGAGE ASSOCIATION

By: _____
(Authorized Signature)

Name: Jerome Brister, Regional Vice President

(Name and Title)

Agreed, acknowledged and accepted this day of 1996.

HOME, INC.

By: _____
(Authorized Signature)

Name: John W. Ballard, President/CEO

(Name and Title)

EXHIBIT 1

Master Agreement Number: MD01546
Effective Date: MAY 1, 1996
Expiration Date: APRIL 30, 1997
Parties to Agreement: HOME, INC. AND THE FEDERAL NATIONAL MORTGAGE ASSOCIATION
Lender Number: 237724100-8
Agreed Amount: \$30,000,000.00, PLUS OR MINUS 5.00% (MANDATORY)
\$-0- (OPTIONAL)
Back-end Buyout Fee: The greater of \$1,000.00 OR 12.50 BASIS POINTS (.1250%) multiplied by the undelivered and

uncommitted portion of the Mandatory Agreed
Amount.

[LETTERHEAD OF FANNIE MAE APPEARS HERE]

August 30, 1996

Home, Inc.
6836 Austin Center Blvd., Suite 280
Austin, TX 78731
Attention: Mr. John Ballard

Dear Mr. Ballard:

Subject: Master Agreement Number: MD01546
Amendment: SECOND
Lender Number: 23772-000-8

Dear Mr. Ballard:

By execution of this Letter Agreement, the Federal National Mortgage Association ("Fannie Mae") and Home, Inc. (the "Lender") agree to amend the above-referenced Master Agreement and Contract (if applicable). The amended terms and conditions are set forth in the amended pages to the Master Agreement and (if applicable) the Contract attached to this Letter Agreement. The attachments should be inserted into the Lender's Master Agreement binder as described below. Capitalized terms used but not defined in this Letter Agreement, shall have the meanings set forth in the Master Agreement.

For your convenience, we have summarized the amended terms and conditions below. However, the summary set forth below is for reference purposes only. The Lender and Fannie Mae shall rely solely on the attached amended pages for a complete description of the amended terms and conditions.

The amended terms and conditions:

1. Amended term: Increase volume to \$50,000,000.00 (Mandatory).

Instructions: (1) Replace page MA-4 (Exhibit 1) in your Master Agreement binder with the enclosed page MA-4 (Exhibit 1).
(2) All replaced pages and this letter should be inserted in the "Amendment History" section of your binder.

By execution of this Letter Agreement, Fannie Mae and the Lender agree to and accept the amended terms and conditions as set forth in the attachments to this Letter Agreement. The effective date of the amendments is the date of execution of this Letter Agreement by the Lender. The Lender shall rerum a duly-executed duplicate original of this Letter Agreement to Fannie Mae within ten business days of the date this Letter Agreement is executed by Fannie Mae. If Fannie Mae

does not receive an executed duplicate original of this Letter Agreement from the Lender within ten business days, Fannie Mae may, at its option, declare this Letter Agreement null and void.

Sincerely,

FEDERAL NATIONAL MORTGAGE ASSOCIATION

By: _____
(Authorized Signature)

Name: Jerome Brister, Regional Vice President

(Name and Title)

Agreed, acknowledged and accepted this__ day of _____, 1996.

HOME, INC.

By: _____
(Authorized Signature)

Name: President/CEO

(Name and Title)

8/30/96

Master No. MD01546 - Amd.2

EXHIBIT 1

Master Agreement Number: MD01546
Effective Date: MAY 1, 1996
Expiration Date: APRIL 30, 1997
Parties to Agreement: HOME, INC. AND THE FEDERAL NATIONAL MORTGAGE ASSOCIATION
Lender Number: 23772-000-8

Agreed Amount: \$50,000,000.00, PLUS OR MINUS 5.00% (MANDATORY)
\$-0- (OPTIONAL)

Back-end Buyout Fee: The greater of \$1,000.00 OR 12.50 BASIS POINTS
(.1250%) multiplied by the undelivered and
uncommitted portion of the Mandatory Agreed
Amount.

8/30/96

Master No. MD01546 - Amd.2
MA - 4

[LETTERHEAD OF FANNIE MAE APPEARS HERE]

October 23, 1996

Home, Inc.
6836 Austin Center Blvd., Suite 280
Austin, TX 78731
Attention: Mr. John Ballard

Dear Mr. Ballard:

Subject: Master Agreement Number: MD01546
Amendment: THIRD
Lender Number: 23772-000-8

Dear Mr. Ballard:

By execution of this Letter Agreement, the Federal National Mortgage Association ("Fannie Mae") and Home, Inc. (the "Lender") agree to amend the above-referenced Master Agreement and Contract (if applicable). The amended terms and conditions are set forth in the amended pages to the Master Agreement and (if applicable) the Contract attached to this Letter Agreement. The attachments should be inserted into the Lender's Master Agreement binder as described below. Capitalized terms used but not defined in this Letter Agreement, shall have the meanings set forth in the Master Agreement.

For your convenience, we have summarized the amended terms and conditions below. However, the summary set forth below is for reference purposes only. The Lender and Fannie Mae shall rely solely on the attached amended pages for a complete description of the amended terms and conditions.

The amended terms and conditions:

1. Amended term: Increase volume to \$75,000,000.00 (Mandatory).

Instructions: (1) Replace page MA-4 (EXHIBIT 1) in your Master Agreement binder with the enclosed page MA-4 (EXHIBIT 1).
(2) All replaced pages and this letter should be inserted in the "Amendment History" section of your binder.

2. AMENDED TERM: add Pool Purchase Contract No. D02970 for delivery of FHA Title I mortgages.

INSTRUCTIONS: (1) Insert the attached pages FRM-1 through FRM-4 along with the attached "Fixed-Rate" tab in your Master Agreement binder.

(2) Insert this letter under the "Amendment History" tab.

By execution of this Letter Agreement, Fannie Mae and the Lender agree to and accept the amended terms and conditions as set forth in the attachments to this Letter Agreement. The effective date of the amendments is the date of execution of this Letter Agreement by the Lender. The Lender shall return a duly-executed duplicate original of this Letter Agreement to Fannie Mae within ten business days of the date this Letter Agreement is executed by Fannie Mae. If Fannie Mae does not receive an executed duplicate original of this Letter Agreement from the Lender within ten business days, Fannie Mae may, at its option, declare this Letter Agreement null and void.

Sincerely,

FEDERAL NATIONAL MORTGAGE ASSOCIATION

By: _____
(Authorized Signature)

Name: Jerome Brister, Regional Vice President

(Name and Title)

Agreed, acknowledged and accepted this 25th day of October, 1996.

HOME, INC.

By: _____
(Authorized Signature)

Name: John W. Ballard, President/CEO

(Name and Title)

10/23/96

Master No. MD01546 - Amd.3

Page 2

EXHIBIT 1

Master Agreement Number: MD01546
Effective Date: MAY 1, 1996
Expiration Date: APRIL 30, 1997
Parties to Agreement: HOME, INC. AND THE FEDERAL NATIONAL MORTGAGE ASSOCIATION
Lender Number: 23772-4}00-8
Agreed Amount: \$75,000,000.00, PLUS OR MINUS 5.00% (MANDATORY)
\$-0- (OPTIONAL)
Back-end Buyout Fee: The greater of \$1,000.00 OR 12.50 BASIS POINTS (.1250%) multiplied by the undelivered and uncommitted portion of the Mandatory Agreed Amount.

10/23/96

Master No. MD01546 - Amd.3
MA-4

HOMEOWNERS MORTGAGE & EQUITY, INC.

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (the "Agreement") dated as of June 1, 1996 ("effective date"), is by and between HOMEOWNERS MORTGAGE & EQUITY, INC., a Delaware corporation (the "Company"), as employer, and Tommy M. Parker (the "Executive"), as the employee.

WITNESSETH

WHEREAS, the Company and the Executive have agreed on the employment of the Executive by the Company and each of them desires to set forth herein the terms and conditions of such employment.

NOW, THEREFORE, in consideration of the mutual promises and covenants set forth herein, and for good and valuable consideration the receipt of which is hereby acknowledged, the parties hereto agree as follows:

1. Employment. The Company agrees to employ the Executive and the

Executive agrees to accept such employment by the Company, upon the terms and conditions set forth herein. The employment of the Executive under this Agreement shall be for a term of three (3) years commencing with the date of this Agreement, subject to renewal, extension or early termination as provided herein (such period, as renewed, extended or terminated early is referred to as the "Term of Employment").

2. Duties and Authority. During the Term of Employment, the Executive

shall serve as an Executive Vice President with the functions of chief operating officer and chief financial officer of the Company, and if elected or appointed by the applicable board of directors, the Executive shall serve as an officer or officers of any subsidiary of the Company or as such additional officers of the Company or any affiliate to which he may be elected or appointed from time to time, without any compensation other than that provided for in this Agreement, provided that such elections or appointments are reasonable in nature and do not materially expand the scope of the duties required of the Executive herein. Any material expansion of the Executives duties beyond those defined herein shall be upon terms and conditions, including but not limited to additional compensation to the Executive, mutually approved by the Executive and the Company. During the Term of Employment, subject to the direction, supervision and control of the President and the Board of Directors of the Company (the "Board"), the Executive shall perform the duties and have the powers and authority which are consistent with and generally of the nature delegated and granted to an Executive Vice President and functions of chief operating officer and chief financial officer

of a financial services company as may be provided in the Bylaws of the Company or determined by the Board from time to time, and Executive shall perform such other duties and have such other powers and authority as may be prescribed by the President and the Board from time to time; and provided that such Executive's position of Executive Vice President functioning as chief operating officer and chief

financial officer does not violate any federal, state or local laws or regulations. The duties of the Executive as of the date hereof are generally described in Exhibit A, attached hereto and made a part of this Agreement, but which duties are subject to revision by the Board of Directors or amendments to the Bylaws of the Company time to time; and further provided that the President or the Board may, in their sole discretion, withhold, withdraw, retain or reassign any of the authority and responsibility initially delegated to the Executive pursuant to this Agreement, if either the President or the Board shall determine, in their sole discretion, and for any reason whatsoever, that it would be in the best interest of the Company for some of the duties delegated to the Executive to be performed by the President or the Board or delegated to or among one or more other executive officers of the Company, including but not limited to a determination that the functions and duties of chief financial officer and chief operating officer should be separately delegated to more than one person.

3. Compensation. The Company hereby agrees to pay the Executive and

the Executive hereby agrees to accept as compensation for all services rendered by the Executive in any capacity during the Term of Employment (including, without limitation, services, as described in Section 2 hereof, as any officer, director or member of any committee of the Company or any subsidiary and affiliate thereof) the following:

(a) Base Salary. The Company shall pay the Executive an annual

base salary (the "Base Salary") as follows during each year of the Term of Employment beginning on June 1:

1996	\$125,000
1997	150,000
1998	175,000

The Base Salary for any years of the Term of Employment subsequent to 1998 as a result of any renewal of the Term of Employment pursuant to Section 6 hereof, shall be as determined by the Board on or before April 30 of each year, but shall not be less than the Base Salary of Executive for the previous year of the Term of Employment.

The Base Salary shall be payable by Company bank check drawn on immediately available funds on the first and fifteenth days of each calendar month in an amount equal to one twenty-fourth (1/24th) of the Base Salary, less

applicable federal, state, local income tax and social security withholding and health, retirement and other benefit plan and other customary payroll deductions.

(b) Annual Incentive Bonus. The Executive will be entitled to

participate, at the discretion of the Board, in an annual incentive bonus plan ("Incentive Bonus Plan") based upon the consolidated net income of HomeCapital Investment Corporation, the parent company of the Company (the "Registrant"), based upon the audited annual consolidated financial statements of the Registrant

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by an independent public accounting firm selected by the Board, in accordance with an Incentive Bonus Plan to be adopted by the Board of Directors applicable to executive officers of the Company during the Term of Employment. The Incentive Bonus Plan shall allocate at least twenty-five percent (25%) of the aggregate bonus fund or pool to the Executive.

Compensation under the Incentive Bonus Plan shall be paid by Company bank check drawn on immediately available funds no later than thirty (30) days following the completion of the audit of and report of the accountants on the consolidated financial statements of the Registrant.

(c) Performance Incentive Bonus. In addition to the Incentive

Bonus payments provided in Section 3(b) hereof, the Executive will also be eligible to receive a Performance Incentive Bonus ("Performance Bonus") as follows:

(i) The Executive will be entitled to receive one-half (1/2) of one percent (.5%) of the proceeds, net of underwriting fees and offering expenses, to the Registrant from the first public offering of securities of the Registrant for cash pursuant to an effective registration filed with the Securities and Exchange Commission ("SEC") on SEC Form SB-2, S-1 or S-3, or other forms of general applicability, whether, equity, debt, or a combination thereof, during the Term of Employment, to the extent and only if the Company may legally make such a payment to Executive, and such payment does not violate applicable corporate or federal or state securities laws in the opinion of counsel to the Company, or adversely affect the success of negotiations with an underwriter of the securities in connection with such public offering. The Performance Bonus will be paid by Company bank check drawn on immediately available funds to the Executive immediately following the funding of the proceeds to the Registrant or the Company by the investment banking company.

(ii) The Executive will be entitled to receive two percent (2%) of the net savings of federal, state, and local income taxes realized

by the Company and/or the Registrant with respect to total taxes reported as payable by the Company and/or the Registrant applicable to each fiscal year ending September 30 during the Term of Employment, as a result of tax planning strategies initiated by the Executive.

The tax savings realized will be measured by comparing the total federal, state, and local income taxes reported as payable on a consolidated basis for each fiscal year ended September 30, as reflected in the respective federal, state, and local income tax returns, to the total federal, state, and local income taxes for such period that would have been payable, computed on a pro forma basis, if the tax planning strategies initiated by the Executive had not been implemented or realized. The tax planning strategies employed by

the Company and/or the Registrant eligible for a Performance Bonus shall be approved by tax counsel for the Company and approved and determined at the time of approval to be eligible for the Performance Bonus by the Board.

The Performance Bonus, if any, will become payable to the Executive by Company bank check drawn on immediately available funds upon filing of the federal, state, and local income tax returns, or as soon thereafter as the necessary computation of any tax savings and any Performance Bonus can reasonably be made. In the event that any payments shall be made to Executive hereunder as a result of tax strategies that are subsequently disallowed, in whole or in part, by the Internal Revenue Service, then the Executive shall repay to the Company the amount of the Performance Bonus attributable to any disallowed items.

(d) Grant of Stock Options. Upon the execution of this Agreement,

or as soon thereafter as the Registrant shall have adopted the Employee Stock Option Plan ("Plan") heretofore approved by the Board, the Registrant shall grant to the Executive stock options under the Plan, which entitle the Executive to acquire 150,000 shares of the Registrant's shares of \$.01 par value common stock in accordance with the Plan.

The Executive acknowledges and agrees that the Registrant may issue additional shares of common stock from time to time which shall have the effect of diluting the equity ownership interests of existing shareholders, including the Executive from time to time.

4. Benefits and Perquisites.

(a) In addition to the compensation provide in Section 3 hereof, the Executive shall be included in all welfare benefit programs established by

the Company and/or Registrant for all eligible employees, including family health insurance coverage and life insurance. Accordingly, the Executive shall be entitled to annual vacation in each year as determined pursuant to the Company's vacation policy for all employees, and the Executive shall be eligible to participate in any defined benefit or defined contribution retirement plan or capital accumulation plan established by the Company and/or Registrant for all eligible employees.

(b) In addition to the compensation provided in Section 3 hereof, during the Term of Employment, the Company shall furnish to the Executive, without any expense to the Executive, the following:

(i) The Company shall pay or reimburse the Executive for all authorized and reasonable travel and entertainment expenses incurred or paid by him in connection with the performance of his duties hereunder, upon presentation

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to the Company of expense statements and such other documentation as the Company may reasonably require.

(ii) The Company shall furnish, at its expense, an office, including appropriate office fixtures, telephone service and secretarial assistance to the Executive and the Company shall provide to the Executive any other perquisites provided to other management employees of the Company unless otherwise expressly provided for herein.

(iii) The Company shall provide to the Executive an automobile allowance of \$500.00 per month and shall pay the reoccurring charges of an automobile phone of the Executive. The Executive will be responsible for all other automobile costs and expenses.

(iv) The Company shall pay or reimburse the Executive for fees and expenses incurred or paid by him in connection with the maintenance by the Executive of his certificate and license with the State Board of Public Accountancy (License No. 12459). The fees and expenses include the annual licensing fee, cost of continuing education courses and dues related to professional accounting societies.

The Executive's perquisites shall not be reduced or altered in any material respects without the prior approval of the Executive.

5. Relocation. In connection with the relocation of the Executive from -----

Oklahoma City, Oklahoma, area to the Austin, Texas, area, the Company shall pay and/or reimburse the Executive for the following: (i) all reasonable expenses related to the moving of all household possessions to the Austin, Texas, area and any additional federal, state or local income tax resulting from such payments of moving expenses, (ii) a \$5,000 cash payment for miscellaneous

expenses incidental to such relocation, and (iii) reimbursement of closing costs associated with the Executive's purchase of a home in Austin to the extent such costs are customary for a buyer to pay.

6. Renewal of Term of Employment. On the third anniversary of the

effective date hereof and on each subsequent anniversary date (each, a "Renewal Date"), this Agreement shall be automatically renewed and extended for an additional term of one year without further action by either party, unless at least ninety (90) days prior to any such Renewal Date the Executive or the Company shall have given written notice to the other party hereto that this Agreement shall not be renewed and extended, in which event the Term of Employment shall terminate as of such Renewal Date. This Section shall not otherwise limit or restrict the rights of the Company or the Executive to terminate this Agreement pursuant to any other provision hereunder.

7. Disability. If during the Term of Employment, the Executive is

unable to carry out the normal and usual duties of his employment hereunder for four (4) consecutive months, by reason of physical or mental disability, then the employment of the Executive

may be terminated by action of the Board upon thirty (30) days prior notice to the Executive. During the period of the Executive's disability prior to the termination of the Executive's employment hereunder, including the thirty (30) day period after receipt of notice thereof, the Executive shall continue to earn and be paid all compensation provided herein as if he had not been disabled. In addition to such compensation, the Executive shall be paid any disability benefits provided by the Company as part of its welfare benefit program for all eligible employees. In the event a dispute arises between the Executive and the Company concerning the Executive's physical or mental ability to continue or return to the performance of his duties, the Executive shall submit to examination by a competent physician mutually agreeable to both parties, and such physician's opinion as to the Executive's capability to so perform will be final and binding. Upon the termination of the Executive's employment by reason of disability, this Agreement shall terminate, but such termination shall not, however, terminate or adversely effect any rights of the Executive then vested or accrued under any disability or benefit program of the Company then in effect. Furthermore, the termination of this Agreement under Section 7 hereof, shall not terminate or adversely affect any rights the Executive may have accrued and earned under Section 3 through the date of termination.

8. Termination for Cause.

(a) At anytime during the Term of Employment, subject to the provisions of this Section, the Company may discharge the Executive for cause and thereby terminate this Agreement by delivering to the Executive a

notice of such discharge. Upon such discharge, (i) the Executive shall be entitled to receive any compensation pursuant to Section 3 hereof which has been earned or accrued by the Executive through the date of such discharge, and any other compensation or benefits to which the Executive is entitled under any pension, retirement or disability plan provided as part of the welfare benefit programs for all eligible employees of the Company following such termination, and (ii) if such termination occurs within the first three (3) years of the Term of Employment, the Executive shall be obligated to reimburse the Company the relocation expenses paid to the Executive pursuant to Section 5 hereof.

(b) The Executive may be discharged for cause upon the occurrence of any of the following events:

(i) The Executive has acted dishonestly or engaged in misconduct in the performance of his duties as prescribed from time to time by the President or the Board;

(ii) The Executive has breached a fiduciary duty owed to the Company or any of its affiliates;

(iii) The Executive has materially breached a published policy of the Company, communicated to the Executive in writing prior to such breach;

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(iv) The Executive has materially failed to perform his duties as prescribed from time to time by the President or the Board, except during the term of any disability of the Executive pursuant to Section 7 hereof;

(v) The Executive has violated any law, regulation or ordinance of a governmental entity (other than traffic violations and similar minor offenses) or has violated any judicial decree applicable to the Company or any of its affiliates known to him which violation has a material and adverse effect on the Company or the ability of the Executive to perform his duties hereunder; or

(vi) The Executive has materially breached any of the terms of this Agreement or any other written agreement between him and the Company, or any of the Employee's representations and warranties under any provision hereof prove to be materially false.

(c) Before any of the above (other than a dishonest act under paragraph (i) or violation of law under paragraph (v), neither of which shall require an opportunity to cure) shall constitute "cause," the Company shall notify the Executive of such default or violation and the Executive shall have a period of twenty-one (21) days after receipt of such notice in which to demonstrate to the satisfaction of the Board that such alleged

"cause" has been cured.

(d) The authority of the Company to terminate the Executive's employment hereunder (or to exercise any other rights of the Company hereunder) shall be exercised by a majority of the members of the Board acting through the Chairman of the Board.

9. Payment Due Upon Termination Other Than for Cause or Disability;

Delivery of Release Upon Termination. Nothing contained in this Agreement

shall prevent the Company from terminating the employment of the Executive at any time during the Term of Employment with or without cause, and upon termination, the Executive shall have no obligation to the Company to provide further employment services pursuant to paragraph 2 of this Agreement. However, if (i) the Company terminates such employment other than for cause or disability in accordance with Sections 7 or 8 hereof, respectively, or (ii) the Executive terminates his employment for "Good Reason" as provided for in Section 11 hereof, then the Company shall pay the Executive an amount (the "Severance Payment") equal to (x) the annual Base Salary then payable pursuant to Section 3(a) hereof as of the date of such termination of employment, if such termination of the employment of Executive occurs at any time during the first two (2) years of the Term of Employment, or (y) the product of the remaining Term of Employment (computed by dividing the number of days remaining in the Term of Employment by 365) and the Base Salary then payable pursuant to Section 3(a) hereof as of the date of such termination of employment, if such termination of the employment of Executive occurs at any time during the last year of the term of Employment, including any renewal period pursuant to Section 6 hereof. The

Severance Payment shall be paid to the Executive, at the election of the Company, (i) in monthly installments at the applicable Base Salary through the remaining Term of Employment, or (ii) a lump sum equal to the present value of the applicable monthly payments discounted at the prime rate of Frost Bank-Austin, Austin, Texas, plus two percent (2%) per annum within thirty (30) days of the date of termination of employment. The payment provided for in this Section shall be in addition to any other compensation or benefit to which Executive may be entitled under any welfare benefit program of the Company or any other amount owed under Sections 3(b) and 3(c) hereof. Upon payment by the Company of the Severance Payment and other amounts payable hereunder to the Executive (or the Executive's estate), the Company shall have no liability or obligation whatsoever under this Agreement to the Executive (or the Executive's estate) related to the Executive's employment or other capacities with the Company or related to the termination of the Executive's employment with the Company. As a condition to payment of the Severance Payment and any other amounts payable to the Executive upon termination of his employment, the Executive or his estate shall deliver to the Company a full and unconditional release of the Company under this Agreement (in form and substance satisfactory

to the Company) to effectuate the provisions of the preceding sentence.

10. Death Benefit. If the Executive dies during the Term of Employment,

the Company shall pay to the Executive's beneficiary or estate an amount equal to the twelve (12) months Base Salary then payable under Section 3(a) hereof and amounts earned under Sections 3(b) and 3(c) hereof, as of the date of death. The amount of any payment provided for in this Section shall be in addition to any benefit payment or payments to which the Executive may be entitled under any welfare benefit program of the Company. The preceding death benefit payment by the Company shall be made within 30 days of the latter of: (i) presentation of proof of death acceptable to the Company, or (ii) notice of the appointment, by proper authority, of a personal representative of the Executive's estate to receive the death benefit. The Company may carry life insurance on the life of the Executive, the proceeds of which may be used, in part, to fund any death benefit payment to the Executive.

11. Termination by Executive for Good Reason. Termination by the

Executive of his employment for "Good Reason" shall include any of the following:

(a) The assignment of duties to the Executive by the Company which is materially different from the duties contemplated by Section 2 hereof, without his express written consent; or

(b) The removal of the Executive from or any failure to reelect the Executive to the position of Executive Vice President functioning as either (i) the chief operating officer, or (ii) the chief financial officer of the Company, except upon the disability of Executive as described in Section 7 hereof or in connection with a termination of his employment by the Company as provided for in Section 8 hereof; or

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(c) A reduction by the Company of the Executive's Base Salary, failure to compensate Executive under Incentive Bonus Plan adopted by the Board, or reduction in the amount due, if any, as a Performance Bonus; or

(d) The relocation of the principal executive offices of the Company to a location outside of the Austin, Texas, area, or the relocation of Executive to an office location other than the Company's principal executive offices, except for required travel on business to an extent substantially consistent with his business travel obligations at the time this Agreement was entered into, or, in the event the Executive consents to any such relocation of the Company's principal executive offices, the failure by the Company to pay or reimburse Executive for all reasonable moving expenses incurred by the Executive in relocation, as provided for in Section 5 hereof.

If any of the preceding events specified in this Section occur, the Executive may terminate his employment hereunder and shall receive the Severance Payment and other compensation described in Section 9 hereof.

12. No Violation of Other Agreements. The Executive hereby represents

and warrants to the Company that neither his entering into this Agreement nor the performance of his duties and obligations hereunder shall constitute a breach or other violation of any agreement or understanding between the Executive and any other person, firm, corporation or other entity, including, without limitation, any former employer of the Executive.

13. Confidentiality. The Executive acknowledges that by reason of the

nature of the Executive's duties, the Executive will or may have access to and become informed of confidential and secret information which is a competitive asset of the Company, including without limitation (i) customer information such as names, addresses, sales histories, purchasing habits, credit status, and pricing levels, (ii) certain prospective customer information and lists, (iii) product and systems specifications, concepts for new or improved financial products and other financial product or systems data, (iv) future corporate planning data, (v) marketing strategies, (vi) the Company's financial results and business condition, and (vii) any of the foregoing which belong to any other person or company but to which the Executive has had access by reason of his employment with the Company (collectively, "Confidential Information"). The Executive agrees to keep in strict confidence, and not, either directly or indirectly, to make known, divulge, reveal, furnish, make available or use (except for use in the regular course of the Executive's duties hereunder), any Confidential Information. The Executive acknowledges that all sales manuals,, instruction books, catalogs, information and records, technical manuals and documentation, drafts of instructions, guides and manuals, maintenance manuals, and other documentation (whether in draft or final form), and other sales or information and aids relating to the Company's business and any and all other documents containing Confidential Information furnished to the Executive by a representative of the Company or otherwise acquired or developed by the Executive in connection with his employment with the Company (collectively, "Recipient Materials") shall at all times be the property of the Company. Upon termination of the

Executive's employment with the Company, the Executive shall return to the Company any Recipient Materials which are in the Executive's possession, custody or control. The Executive's obligations under this Section 13 shall survive such termination of the Executive's employment with the Company, but shall not be applicable to (i) any such Confidential Information which becomes, through no fault of the Executive, generally known to the trade or publicly available; (ii) information in the public domain; (iii) such information is independently derived without the aid, application or use of such information; and (iv) such information is required to be disclosed by law or for financial accounting

purposes. The Executive's obligations under this Section 13 are in addition to, and not in limitation or preemption of, all other obligations of confidentiality which the Executive may have to the Company under general legal or equitable principles.

14. Non-Competition.

(a) The Executive acknowledges that during the Term of Employment, the Executive's access to the Confidential Information will enable the Executive to benefit from the Company's goodwill and know-how. The Executive further acknowledges that it would be inherent in the performance of the Executive's duties as a director, officer, employee, agent or consultant of any company which competes with the Company or any Affiliated Company, as hereinafter defined, or which intends to or may compete with the Company or any such Affiliated Company, to disclose or use the Confidential Information, and the Company's or the Affiliated Companies' goodwill and know-how, to or for the benefit of such other company. The Company's primary business relates to residential real estate home improvement loans insured by the FHA under Title I of the National Housing Act (collectively, the "Property Improvement Loans"). Accordingly, "Competitive Business" (as used herein) shall mean the underwriting, origination, servicing, acquisition, holding, ownership, sale, transfer, assignment, pledge, financing and refinancing of Property Improvement Loans and any activities incidental to the foregoing activities, including without limitation any activities involving the origination of Property Improvement Loans from home owners or the acquisition of Property Improvement Loans from contractors, correspondents, banks or other sources of loan production and acquisition by the Company, and the issuance, ownership, sale, acquisition or transfer of securities backed by Property Improvement Loans. To protect these vital interests of the Company and its Affiliated companies, the Executive agrees that during the Term of Employment and for a period of one (1) year following the termination of the Executive's employment hereunder, the Executive will not, without the prior written consent of the Company, directly or indirectly, whether as a director, officer, employee, agent or consultant, or otherwise:

(i) invest or engage in any Competitive Business or accept employment with or render services to any entity engaged in any Competitive Business or take any action inconsistent with the fiduciary duties of the Executive to the Company;

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(ii) solicit sales of, or sell or deliver, any financial product, services or system of the kind and character sold, provided or distributed in connection with the Competitive Business of the Company or any Affiliated Company to any person, firm, corporation or other entity called upon or served by the Executive on behalf of the Company or any Affiliated Company during the Term of Employment;

(iii) solicit, attempt to solicit or seek to divert from the Company or any Affiliated Company, the business or patronage of any person, firm, corporation or other entity with whom the Executive has had business relations in connection with the Competitive Business of the Company or any Affiliated Company; or

(iv) engage, suggest, assist in, or influence, the engagement or hiring by any competing organization of any salesman, distributor, dealer, contractor, employee or source of the Company or any Affiliated Company related to the Competitive Business of the Company or any Affiliated Company.

(b) This covenant not to compete shall apply whether the Executive acts as an individual or for his own account, or as a partner, employee, agent, salesman, distributor, consultant or representative of any person, firm, corporation or other entity. The restriction herein contained shall be limited in geographical scope to each of the geographical areas in the United States in which the Company conducts business, provides services or sells financial products at any time during the Term of Employment. Moreover, the restriction herein contained shall prohibit the Executive from competing with the Company and any Affiliated Company only in the line or lines of business actually conducted in a particular geographical area by the Company or any Affiliated Company. During the Term of Employment, the Executive shall disclose to the Board any investments he may make in businesses which are related in terms of product line or customer base to products which, at such time, the Company or any Affiliated Company is engaged in marketing or has definitive plans to market.

(c) As used in this Agreement, "Affiliated Company" includes any legal entity which owns, either directly or indirectly, more than 50% of the voting power of the Company, or in which the Company owns more than 50% of the voting power.

(d) The Executive agrees that each of the Affiliated Companies are third party beneficiaries to this Section 14 and each Affiliated Company is entitled to enforce the provisions of the Section 14 in the event that any violation of this Section 14 causes, or threatens to cause, injury to its business or property.

(e) Notwithstanding the above, the covenant-not-to-compete contained in this Section 14 shall not be applicable in the event the Executive's employment with the Company is terminated as a result of the Company's insolvency or bankruptcy.

15. Assignability; Change of Control. In the event that the Company (or

any entity resulting from any merger or consolidation referred to in this

Section or which shall be a purchaser or transferee so referred to), shall at any time be merged or consolidated into or with any other entity or entities, or in the event that substantially all of the assets of the Company or any such entity shall directly or indirectly, be sold or otherwise be transferred to another person or entity, the provisions of this Agreement shall be binding upon and shall inure to the benefit of the continuing entity or the entity resulting from such merger or consolidation or the entity to which such assets shall be sold or transferred.

16. Equitable Remedies. The Executive acknowledges and agrees that in

the event of any breach or threatened breach of the provisions of Section 13 or 14 hereof, the Company would have no adequate remedy at law, and thus, the Company shall be entitled to temporary and/or permanent injunctive relief to enforce such provisions of this Agreement without prejudice to any and all other remedies which the Company may have at law or in equity.

17. Waiver. A waiver by either party of any of the terms and conditions

of this Agreement in any instance shall not be deemed or construed to be a waiver of such terms or conditions for the future, or of any subsequent breach thereof.

18. Notices. Any and all notices required or permitted to be given

hereunder shall be in writing and be deemed delivered only when received by the party to which it is sent. All notices shall be sent to each party at an address to be provided by such parties to one another from time to time during the Term of Employment. Either party may change by notice the address to which notices to it are to be addressed.

19. Severability. If any provision of this Agreement, as applied to

either party or to any circumstances, shall be adjudged by a court to be void or unenforceable, the same shall in no way affect any other provision of this Agreement or the applicability of such provision to any other circumstances.

20. Applicable Law. This Agreement is made and entered into in Austin,

Texas, and shall be construed and interpreted under the applicable laws and decisions of the State of Texas. Venue of any action under this Agreement shall be exclusively in the State and Federal courts located in Travis County, Texas.

21. Counterpart Execution. This Agreement may be executed in several

counterparts, each of which shall be fully effective as an original and all of which together shall constitute one and the same instrument.

22. Entire Agreement. This Agreement contains the entire understanding

of the parties hereto with respect to the employment of the Executive by the

Company and provisions hereof may not be altered, amended, modified, waived, or discharged in any way whatsoever, except by written agreement executed by each party hereto.

23. Headings and Captions. Headings and Section captions used in this

Agreement are intended for convenience of reference only and shall not affect the interpretation of this Agreement.

IN WITNESS WHEREOF, the undersigned parties have executed this Employment Agreement as of the effective date first above written.

COMPANY

EXECUTIVE

HomeOwners Mortgage & Equity, Inc.,
a Delaware corporation

By: _____
John W. Ballard
President

Tommy M. Parker

REGISTRANT

HomeCapital Investment Corporation,
a Nevada corporation

By: _____
John W. Ballard
President

Exhibit A
HOMEOWNERS MORTGAGE & EQUITY, INC.
("HOME, INC.")

JOB DESCRIPTION

EFFECTIVE DATE: JUNE 1, 1996

CHIEF OPERATING OFFICER
CHIEF FINANCIAL OFFICER

SUMMARY OF FUNCTIONS:

Responsible to the President of Home, inc., for the administration of the operations of the Company and the administration of the financial matters of the Company.

Responsible for all long-range financial matters and for establishing company-wide financial and administrative objectives, policies, programs, and practices which will insure the Company of a continuously sound financial and operating structure. As Chief Financial Officer, establish and administer financial accounting and reporting policies (internal and external), coordinate matters with the Securities and Exchange Commission, coordinate relationships with lenders, and oversee the development and implementation of the Management information systems.

MAJOR DUTIES AND RESPONSIBILITIES: /CHIEF OPERATING OFFICER

1. Develop, monitor, approve and implement policies and procedures appropriate to the operations of the Company.
2. Coordination of and resource allocation among loan operations, loan administration, and management information systems.
3. Monitor and develop the annual budget for approval by the President and the Board of Directors.
4. Ensure that Company operations comply with all applicable laws, regulations, and Company policies.
5. In conjunction with the President handle negotiations with outside parties on behalf of the Company.
6. To develop in conjunction with the managers of the Company, plans for the growth and development of the Company.
7. Coordinate the development, implementation, and maintenance of all computer hardware and software systems.

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MAJOR DUTIES AND RESPONSIBILITIES: /CHIEF FINANCIAL OFFICER

1. Ensure the maintenance of appropriate financial and income tax records and preparation of required financial reports and income tax returns. Coordinate with outside tax counsel and the independent accounting firm for the Company, annual tax compliance and various income tax planning matters.
2. Establish and execute programs for providing capital required by the business, including negotiating the procurement of capital and maintaining the required financial arrangements. Coordinate the long-

range plans of the Company, assess the financial requirements implicit in these plans and develop alternative ways in which financial requirements can be satisfied.

3. To approve all agreements concerning financial obligations, such as contracts for products or services and other actions requiring a commitment of financial resources.
4. To manage the cash flow position of the Company. Responsibility includes authority to establish credit and collections and purchasing policies and to establish schedules for the payment of bills and financial obligations.
5. Maintain relationship with financial institutions in conjunction with the President. Administer banking arrangements and loan agreements, receive, have custody of and disburse the Company's funds and securities. Maintain adequate sources for the Company's current borrowings from commercial banks and other lending institutions. Invest the Company's funds as appropriate.
6. Oversee the development, enhancement, and implementation of the Management Information Systems.
7. Responsible for the financial aspects of real estate transactions, and execute bids, contracts and leases.
8. Oversee the loan operations and loan administration function and coordinate policies with outside investors.
9. Establish and maintain an adequate market for the Company's securities and in connection therewith, maintain adequate liaison with investment bankers, financial analysts and shareholders in conjunction with the President. Administer all incentive stock option plans.

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10. Analyze Company shareholder relations policies and information program including the annual and interim reports to shareholders and recommend to the President new or revised policies or programs when needed.
11. Coordinate with outside securities counsel, Securities and Exchange Commission matters, including periodic reporting and securities placement and registration matters.
12. Coordinate the procurement of insurance coverage as required.
13. Provide advice on all matters to the President in formulation objectives.

ORGANIZATIONAL RELATIONSHIPS:

Directly accountable to the President and the Board of Directors through the President for performance of all responsibilities related to operational administration and financial management. Provides reports on Company finances as requested by the President and the Board of Directors.

HEMOCAPITAL INVESTMENT CORPORATION

1996 STOCK OPTION PLAN

MARCH 21, 1996

AS APPROVED BY STOCKHOLDERS AUGUST 16, 1996

HEMOCAPITAL INVESTMENT CORPORATION

1996 STOCK OPTION PLAN

SUMMARY OF PLAN PROVISIONS

PLAN PURPOSE

The HomeCapital Investment Corporation 1996 Stock Option Plan is designed to provide significant financial incentives to key directors, executive officers and employees of the Company and its operating subsidiary, HomeOwners Mortgage & Equity, Inc., to increase stockholder value. To accomplish this, the Plan will offer management and a select group of employees the opportunity to accumulate substantial equity ownership in the Company. The Plan will also assist in retaining and recruiting talented management.

TYPE OF OPTIONS

Options granted to Participants under the Plan may be Incentive Stock Options, Non-Qualified Stock Options or a combination of Incentive Stock Options and Non-Qualified Stock Options.

EFFECTIVE DATE

The effective date of the Plan is March 21, 1996. The Plan must be approved by the stockholders of the Company within twelve months before or after the date on which the Board of Directors of the Company adopted the Plan.

ADMINISTRATION OF THE PLAN

The Board of Directors or a Stock Option Committee appointed by the Board will administer the Plan.

PARTICIPANTS

Directors, officers and other key employees are recommended by the President and selected by the Board to participate in the Plan.

NUMBER OF SHARES RESERVED FOR OPTIONS

Shares will be reserved initially for Options under the Plan to purchase an aggregate of 500,000 shares of Company common stock. However, in the event of changes in the existing composition of the Company's Stock (such as a stock dividend, recapitalization, reorganization, merger, consolidation, or similar change), the Board or Committee may adjust the number of shares of Stock subject to Options, as well as the number of Options and their Exercise Price.

GRANT OF OPTIONS

Options may be granted to Participants at any time during the ten-year period following the Effective Date of the Plan.

VESTING

Options granted to a Participant shall vest at a rate determined by the Board or Committee subject to any condition of continued employment of the Participant with the Company.

In the event of a Change of Control of the Company, all outstanding Options will become fully vested.

OPTION AGREEMENT

The Company and each Participant shall execute an Option Agreement which will specify: (a) the type of Options granted, (b) the Exercise Price of the Options, (c) the number of shares of Stock to which each Option pertains, (d) the vesting provision, (e) a requirement to notify the Board or Committee, if stock acquired through the exercise of an Incentive Stock Option is disposed of prior to certain holding periods, and (f) any other provision determined by the Board or Committee.

EXERCISE OF OPTIONS

Participants may exercise Options by tendering the Exercise Price in cash, in Company Stock or in a combination of cash and such Stock. All Options expire ten (10) years following the date of grant.

DEATH

If a Participant dies while employed by the Company or Home, Options which were outstanding and exercisable immediately prior to death of the Participant may be exercised for a period of one (1) year (not to exceed the expiration date of the Options) by a person entitled thereto under a will or the laws of descent and distribution.

DISABILITY

If a Participant becomes disabled and subsequently terminates employment with

the Company and Home, Options which were outstanding and exercisable immediately prior to the disability may be exercised for a period of one year (not to exceed the expiration dated of the Options). A Participant is considered disabled for purposes of the Plan if the Participant qualifies to receive disability payments under the Social Security Administration's disability program.

TERMINATION OF EMPLOYMENT

If a Participant terminates employment with the Company and Home for any reason other than death or disability, Options which were outstanding and exercisable immediately prior to termination of employment may be exercised for a period of three months (not to exceed the expiration date of the Options) thereafter. In the event that the employment of a Participant is terminated because of Termination-for-Cause, all Options shall immediately expire as of the date of the termination and may no longer be exercised.

HEMOCAPITAL INVESTMENT CORPORATION
1996 STOCK OPTION PLAN

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Stock Option Agreement

Appendix A

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ARTICLE I
PURPOSE AND EFFECTIVE DATE

1.1 Purpose.

The Plan is intended to enable the Company to remain competitive and innovative in its ability to attract, motivate, reward and retain a strong management team of superior capability and to encourage the holding of proprietary interests in the Company to make awards that recognize the creation of value for the stockholders of the Company and promote the Company's growth and success. In furtherance of that purpose, eligible persons may receive Incentive Stock Options or Non-Qualified Stock Options or a combination of Incentive Stock Options or Non-Qualified Stock Options.

1.2 Effective Date.

The Effective Date of the Plan shall be March 21, 1996. The Plan must be approved by stockholders within twelve months before or after the date on which the Board of Directors of the Company adopts the Plan. If the Plan is not approved by the stockholders within the period of time designated within this Section 1.2, this Plan and all Options granted hereunder, if any, shall be voided.

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ARTICLE II
DEFINITIONS

2.1 Definitions.

Whenever used herein, the following terms shall have the respective meanings set forth below:

- (a) "Board" means the Board of Directors of HomeCapital Investment Corporation.
- (b) "Change of Control" shall be deemed to have occurred if (i) a tender offer by any person other than existing stockholders shall be made and consummated for the ownership of 50% or more of the outstanding voting securities of the Company, (ii) the Company shall be merged or consolidated with another corporation and as a result of such merger or consolidation less than 50% of the outstanding voting securities of the surviving or resulting corporation shall be owned in the aggregate by the former stockholders of the Company, (iii) the Company shall sell at least 75% of its assets by value in a single transaction or in a series of transactions to another person or corporation which is not a wholly owned subsidiary of the Company, or (iv) a person, within the meaning of Section 3(a)(9) or of Section 13(d)(3) (as in effect on the date thereof) of the Exchange Act, shall acquire 50% or more of the outstanding voting securities of the Company (whether directly, indirectly, beneficially or of record). For purposes hereof, ownership of voting securities shall take into account and shall include ownership as determined by applying the provisions of Rule 13d-3(d)(1)(i) (as in effect of the date thereof) pursuant to the Exchange Act.
- (c) "Code" means the Internal Revenue Code of 1986, as amended.
- (d) "Committee" means the Board of Directors of HomeCapital Investment Corporation or a Stock Option Committee appointed from time to time by the Board of Directors to administer this Plan, however designated.
- (e) "Company" means HomeCapital Investment Corporation, a Nevada corporation.
- (f) "Exchange Act" means the Securities Exchange Act of 1934, as amended.
- (g) "Exercise Price" means:
 - (1) With respect to an Incentive Stock Option, a value which is not less than (i) the Fair Market Value, or (ii) in the case of Incentive Stock Options granted to a Ten Percent Stockholder, 110 percent of the Fair

Option is granted, as determined by the Committee.

(2) With respect to a Non-Qualified Stock Option, a value which may be more or less than the Fair Market Value on the date the Non-Qualified Stock Option is granted, as determined by the Committee.

(h) "Fair Market Value" means for a share of Stock as of any date,

(1) The closing price, regular way, for the shares on the New York Stock Exchange on such date (or if such Exchange was not open for trading on such date, the next preceding date on which it was open); or

(2) If there is no price as specified in (1), the mean of the last reported bid-and-asked quotations, regular way, for the shares on the New York Stock Exchange on such date or next preceding date as the case may be; or

(3) If there is no price as specified in (2), the closing sales price, regular way, or in the absence thereof the mean of the last reported bid-and-asked quotations, for the shares on any other exchange on which the shares are permitted to trade having the greatest volume of trading in the shares during the thirty-day period preceding such date, on such date or next preceding date as the case may be; or

(4) If there is no price as specified in (3), the final reported sales price, or, if not so reported, then the highest bid quotation, in the over-the-counter market for the shares as reported by the National Association of Securities Dealers Automated Quotation System, or if not so reported, then as reported by the National Quotation Bureau Incorporated, or if such organization is not in existence, by an organization providing similar services, on such date (or if such date is not a date for which such system or organization generally provides reports, then on the next preceding date for which it does so); or

(5) If there is no price as specified in (4), the price determined by the Committee by reference to bid-and-asked quotations for the shares provided by members of an association of brokers and dealers registered pursuant to subsection 15(b) of the Exchange Act, which members make a market in the shares, on such recent dates as the Committee shall determine to be appropriate for fairly determining current market value; or

(6) If there is no price as specified in (5), the amount determined in good faith by the Committee based on such relevant facts, which may include opinions of independent experts, as may be available to the Committee.

- (i) "Home" means HomeOwners Mortgage & Equity, Inc., a Delaware corporation and wholly-owned subsidiary of the Company.
- (j) "Incentive Stock Option" means an Option granted under the Plan that complies with the terms and conditions of Section 422 of the Code and is designated by the Committee as an Incentive Stock Option.
- (k) "Non-Qualified Stock Option" means an Option granted under the Plan other than an Incentive Stock Option.
- (l) "Option" means the contractual right granted to a Participant to purchase a number of shares of Stock under the Plan at a stated Exercise Price for a specified period of time. An Option may be either an Incentive Stock Option or a Non-Qualified Stock Option.
- (m) "Participant" means any director, executive officer or key employee designated by the Committee to participate in the Plan pursuant to Article III.
- (n) "Permanent Disability" means the physical or mental condition of a Participant which renders a Participant incapable of continuing his customary employment with the Company and Home. A Participant will be considered disabled for purposes of this Plan if the Participant qualifies to receive disability payments under the Social Security Administration's disability program.
- (o) "Plan" means the HomeCapital Investment Corporation 1996 Stock Option Plan, as it may be amended from time to time.
- (p) "Securities Act" means the Securities Act of 1933, as amended.
- (q) "Stock" means the common stock, par value \$.01 per share, of the Company.
- (r) "Ten Percent Stockholder" means an individual who owns stock possessing more than 10 percent of the total combined voting power of all classes of capital stock of the Company.
- (s) "Termination-for-Cause" means the termination of a Participant's employment by the Company or Home, by written notice to the Participant, specifying the event relied upon for such termination, due to the Participant's conviction of a felony or perpetration of a common law fraud involving the Company or Home or any of its affiliates or subsidiaries, or theft, fraud, embezzlement, dishonesty or other conduct which is or has resulted or is likely to result in material economic damage to the Company or any of its affiliates or subsidiaries.

(t) "Vested" means that an Option is nonforfeitable and exercisable with regard to a designated number of shares of Stock as specified in Section 7.5, except as provided in Article VIII.

2.2 Gender and Number.

Except when otherwise indicated by the context, words in the masculine gender when used in the Plan shall include the feminine gender, the feminine gender shall include the masculine gender, the singular shall include the plural, and the plural shall include the singular.

ARTICLE III
ELIGIBILITY AND PARTICIPATION

Participants in the Plan shall be recommended by the President of the Company and approved by the Committee from among directors, executive officers and key employees of the Company or Home who have or are expected to have a significant and lasting impact on long-term Company strategy and on the long-term success of the Company.

ARTICLE IV
ADMINISTRATION

The Board of Directors shall be responsible for the administration of the Plan. The Board of Directors may appoint a Stock Option Committee to administer the Plan on behalf of the Board of Directors. The Committee shall consist of two or more directors, each of whom is a "disinterested person" within the meaning of Rule 16b-3(c)(2)(i) promulgated under Section 16 of the Exchange Act. From time to time, the Board of Directors may increase the size of the Committee and appoint additional members thereof, remove members (with or without cause) and appoint new members to fill any vacancies. The Board of Directors may also administer the Plan directly, if each member of the Board is a "disinterested person."

The Committee, subject to the approval of the Board, is authorized to interpret the Plan and any Options awarded thereunder, to prescribe, amend, and rescind rules and regulations relating to the Plan, to provide for conditions and assurances deemed necessary or advisable to protect the interests of the Company, and to make all other determinations necessary or advisable for the administration of the Plan. Determinations, interpretations, or other actions made or taken by the Committee pursuant to the provisions of the Plan shall be

final, binding and conclusive for all purposes and upon all persons.

The Committee may, in its absolute discretion, (i) accelerate the date on which any Option granted under the Plan becomes exercisable or (ii) extend the date on which any Option granted under the Plan ceases to be exercisable.

In addition, the Committee may, in its absolute discretion, grant Options to Participants on the condition that such Participants surrender to the Committee for cancellation such other Options (including, without limitation, Options with higher exercise prices) as the Committee specifies. Options granted on the condition of surrender of outstanding Options shall not count against the limitation on the Stock subject to the Plan set forth in Article V until such time as such Options are surrendered.

No member of the Committee shall be liable for any action, omission, or determination relating to the Plan, and the Company shall indemnify and hold harmless each member of the Committee and each other director or employee of the Company to whom any duty or power relating to the administration or interpretation of the Plan has been delegated from and against any cost or expense (including reasonable attorneys' fees) or liability (including any sum paid in settlement of a claim with the approval of the Board or the Committee) arising out of any action, omission or determination relating to the Plan, unless, in either case, such action, omission or determination was taken or made by such member, director or employee in bad faith and without reasonable belief that it was in the best interests of the Company.

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ARTICLE V
STOCK SUBJECT TO PLAN

5.1 Number.

Except as provided in Section 5.2 and subject to adjustment as provided by Section 5.3, the total number of shares of Stock reserved for Options and subject to issuance under the Plan may not exceed 500,000 shares of Stock. The shares to be delivered under the Plan may consist, in whole or in part, of authorized but unissued Stock or treasury Stock, not reserved for any other purpose.

5.2 Unused Stock.

In the event any shares of Stock are subject to an Option which, for any reason, expires or is terminated unexercised as to such shares, such shares again shall become available for issuance under the Plan.

5.3 Adjustment in Capitalization.

(a) Outstanding Options: Increase or Decrease in Issued Shares Without

Consideration

Subject to any required action by the stockholders of the Company, in the event of any increase or decrease in the number of issued shares of Stock resulting from a subdivision or consolidation of shares of Stock or the payment of a stock dividend (but only on the shares of Stock), or any other increase in the number of such shares effected without receipt of consideration by the Company, the Committee shall proportionally adjust the number of shares and the exercise price per share of Stock subject to each outstanding Option.

(b) Outstanding Options: Certain Mergers

Subject to any required action by the stockholders of the Company, if the Company shall be the surviving corporation in any merger or consolidation (except a merger or consolidation as a result of which the holders of shares of Stock receive securities of another corporation), each Option outstanding on the date of such merger or consolidation shall entitle the Participant to acquire on exercise the securities that a holder of the number of shares of Stock subject to such Option would have received in such merger or consolidation.

(c) Outstanding Options: Certain Other Transactions

In the event of a dissolution or liquidation of the Company, a sale of all or substantially all of the Company's assets, a merger or consolidation involving

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the Company in which the Company is not the surviving corporation or a merger or consolidation involving the Company in which the Company is the surviving corporation but the holders of shares of Stock receive securities of another corporation and/or other property, including cash, the Committee shall, in its absolute discretion, have the power to:

- (i) cancel, effective immediately prior to the occurrence of such event, each Option outstanding immediately prior to such event (whether or not then exercisable), and, in full consideration of such cancellation, pay to the Participant to whom such Option was granted an amount in cash for each share of Stock subject to such Option equal to the excess of (A) the value, as determined by the Committee in its absolute discretion, of the property (including

cash) received by the holder of a share of Stock as a result of such event, over (B) the exercise price of such Option; or

(ii) provide for the exchange of each Option outstanding immediately prior to such event (whether or not then exercisable) for an option on some or all of the property for which such Option is exchanged and, incident thereto, make an equitable adjustment as determined by the Committee in its absolute discretion in the exercise price of the Option, or the number of shares or amount of property subject to the Option or, if appropriate, provide for a cash payment to the Participant to whom such Option was granted in partial consideration for the exchange of the Option.

(d) Outstanding Options: Other Changes

In the event of any change in the capitalization of the Company or corporate change other than those specifically referred to in Sections 5.3(a), (b) or (c) hereof, the Committee may, in its absolute discretion, make such adjustments in the number and class of shares subject to Options outstanding on the date on which such change occurs and in the per share exercise price of each such Option as the Committee may consider appropriate to prevent dilution or enlargement of rights.

(e) No Other Rights

Except as expressly provided in the Plan, no Participant shall have any rights by reason of any subdivision or consolidation of shares of stock of any class, the payment of any dividend, any increase or decrease in the number of shares of stock of any class or any dissolution, liquidation, merger or consolidation of the Company or any other corporation. Except as expressly provided in the Plan, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the

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number of shares of Stock subject to, or the Exercise Price of, any Option granted under the Plan.

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ARTICLE VI
DURATION OF PLAN

The Plan shall remain in effect, subject to the Board's right to terminate the Plan pursuant to Article X, until all Stock subject to the Plan shall have been

purchased or acquired pursuant to the provisions hereof. Notwithstanding the foregoing, no Option may be granted under the Plan on or after the tenth anniversary of the Effective Date of the Plan.

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ARTICLE VII
TERMS OF OPTIONS

7.1 Grant of Options.

Subject to the provisions of Section 5.1 and Articles III and VI, Options may be granted to Participants at any time following the Effective Date of the Plan as determined by the Committee. With input from the President, the Committee shall have complete discretion in determining the number of Options granted to each Participant. The Committee shall also determine whether an Option is to be an Incentive Stock Option, or a Non-Qualified Stock Option or a combination of both, which shall be clearly designated by the terms of the Option Agreement. To the extent, however, that any Option designated as an Incentive Stock Option fails to qualify as such pursuant to the provisions of Section 422 of the Code, it shall automatically be considered a Non-Qualified Stock Option. Incentive Stock Options may only be granted to Participants who are employed by the Company or Home.

The aggregate Fair Market Value (determined at the date of grant) of Stock with respect to which the Incentive Stock Options are exercisable for the first time by a Participant in any calendar year under this Plan or any other plan of the Company meeting the requirements of Section 422 of the Code, may not exceed \$100,000. To the extent that the \$100,000 limit is exceeded, such Options shall not be treated as Incentive Stock Options, and the determination of which Options are Incentive Stock Options and which are not Incentive Stock Options will be made on the basis of the order in which such Options are granted. Nothing in this Article VII of the Plan shall be deemed to prevent the grant of Non-Qualified Stock Options in excess of the maximum established by Section 422(d)(1) of the Code.

7.2 Option Agreement.

Each Option shall be evidenced by an Option Agreement that shall specify the type of Options granted, the Exercise Price, the term of the Options, the number of shares of Stock subject to the Option, the vesting schedule, the events by which the Options become Vested, a requirement to notify the Committee if Stock acquired pursuant to the exercise of an Incentive Stock Option is disposed of prior to the expiration of the holding periods specified in Section 422(a)(1) of the Code (as described in Section 7.10 hereof), and such other provisions as the Committee may determine.

7.3 Exercise Price.

Any Option granted pursuant to the Plan shall have an Exercise Price, defined in Section 2.1(g), that is established by the Committee.

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7.4 Term of Options.

Subject to the provisions of Article VIII, each Option shall expire at such time as the Committee shall determine at the time it is granted; provided, however, that no Option shall be exercisable on or after ten (10) years following the date of grant. In the case of a Ten Percent Stockholder, such period shall not exceed five (5) years from the date of grant regarding any grant of an Incentive Stock Option.

7.5 Vesting of Options.

- (a) The Committee has the discretion to determine the schedule by which an Option becomes exercisable. This vesting schedule shall be set forth in the Option Agreement.
- (b) Notwithstanding Section 7.5(a), in the event of a Change of Control, any Option granted under the Plan shall become 100% Vested and exercisable for a period of one year or until expiration, whichever is earlier, except to the extent that the exercisability of any such Option would result in an "excess parachute payment" within the meaning of Section 280G of the Code, as determined by the Board based on information available to it at said time.

7.6 Nontransferability of Options.

No Option granted under the Plan, may be sold, transferred, pledged, assigned, or otherwise alienated or hypothecated, otherwise than by will or by the laws of descent and distribution. During the lifetime of a Participant, Options may be exercised only by such Participant.

7.7 Restriction on Stock Transferability.

Shares of Stock purchased pursuant to an Incentive Stock Option cannot be sold or otherwise transferred within two (2) years from the date the Option was granted, or within one (1) year from the date the Option was exercised, whichever is later.

Shares of Stock purchased upon exercise of an Option may not be sold or otherwise transferred except pursuant to transactions that are exempt from registration under applicable securities laws, including sales (after the applicable holding period) in accordance with the requirements of Rule 144 promulgated under the Securities Act.

The Committee may impose such restrictions on any shares of Stock acquired pursuant to the exercise of an Option under the Plan as it may deem advisable, including, without limitation, restrictions under applicable federal securities laws, under the requirements of any stock exchange upon which such shares of Stock are then listed, under any blue sky or state securities laws applicable to such shares and under any buy/sell agreements entered into by the existing stockholders, and the Articles of Incorporation of the Company. Certificates evidencing any shares of

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Stock acquired upon exercise of an Option shall bear a legend, describing any applicable transfer restrictions.

7.8 Exercise of Options.

A Participant shall exercise an Option which has Vested by written notice to the Company, directed to the attention of the Secretary and delivered not less than five (5) business days prior to the proposed exercise date, specifying the number of shares of Stock to be purchased. Options shall be exercisable in whole or in part with respect to whole shares of Stock. Upon the partial exercise of an Option, the new Option Agreement shall be returned to the Participant with a notation thereon of the remaining unexercised shares of Stock subject to the Option. The Exercise Price of any Vested Option shall be payable to the Company in full at the time of the exercise of the Option either (i) in cash or its equivalent, (ii) by tendering shares of previously acquired Stock having a Fair Market Value on the date of exercise equal to the total Exercise Price (subject to any applicable federal and state securities laws), or (iii) by a combination of (i) and (ii). The notice of exercise to the Company shall be accompanied by the Exercise Price and the Option Agreement. The proceeds from such a payment shall be added to the general funds of the Company and shall be used for general corporate purposes.

7.9 Purchase for Investment.

At the time of any exercise of any Option, the Committee may, if it shall deem it necessary for any reason connected with any law or regulation of any governmental authority relating to the regulation of securities, require as a condition to the issuance of Stock that the Participant represent in writing to the Company an intention to acquire the Stock for the account of the Participant for investment only and not for resale or

distribution. In the event such a representation is required and made, no Stock shall be issued to the Participant unless and until the Company is satisfied with respect to the validity of such representation. Certificates for Stock as to which such representations are required and made may, in the discretion of the Committee, be endorsed with a legend noting such representations and any appropriate restrictions resulting therefrom.

7.10 Notice of Certain Dispositions .

Any Participant who disposes of any Stock acquired through the exercise of an Incentive Stock Option granted hereunder either (i) within two years from the date of the grant of the Option pursuant to which the subject shares were acquired or (ii) within one year after the transfer of such Stock to the Participant, whichever is later, shall promptly notify the Company of such disposition and the amount of consideration realized upon such disposition.

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ARTICLE VIII
TERMINATION OF EMPLOYMENT

8.1 Termination of Employment.

In the event that an employee Participant shall cease to be employed by the Company or Home for any reason other than death, Disability, or Termination-for-Cause, any outstanding Vested Options may be exercised by the Participant for a period of three (3) months following termination of employment, or such earlier date as the Options would have expired according to their terms. All non-Vested Options shall expire at the close of business on the date of such termination.

8.2 Death.

If the Participant shall die while in the employ of the Company or Home, the Participant's estate or personal representative shall have the right to exercise any outstanding Vested Options for a period of one (1) year from said date of death or such earlier date as the Options would have expired according to their terms. All non-Vested Options shall expire at the close of business on the date of death of the Participant.

8.3 Permanent Disability.

In the event the Participant shall cease to be employed by the Company or Home by reason of Permanent Disability, any outstanding Vested Options may

be exercised by the Participant for a period of the earlier of one (1) year following termination of employment, or the expiration date of the Options. All non-Vested Options shall expire at the close of business on the date of termination of employment.

8.4 Termination-for-Cause.

In the event the Participant shall cease to be employed by the Company or Home by reason of Termination-for-Cause, any outstanding Options, whether Vested or not, shall immediately expire at the close of business on the date of termination of employment and may no longer be exercised.

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ARTICLE IX
NO CONTRACT OF EMPLOYMENT

Nothing in the Plan shall interfere with or limit in any way the right of the Company or Home to terminate any Participant's employment at any time, nor does participation in the Plan confer upon any Participant any right to continue in the employ of the Company or Home.

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ARTICLE X
AMENDMENT, MODIFICATION, AND TERMINATION OF PLAN

The Board may at any time terminate, and from time to time may amend or modify the Plan, provided, however, that no such action of the Board, without the approval by vote of the holders of a majority of the outstanding shares of Stock may:

- (a) Increase the total amount of Stock which may be issued under the Plan, except as provided in Sections 5.1 and 5.3 of the Plan.
- (b) Change the class of individuals eligible to receive Options.
- (c) Change the provisions of the Plan regarding the Exercise Price, except as permitted by Section 5.3.
- (d) Materially increase the cost of the Plan or materially increase the benefits to Participants.
- (e) Extend the period during which Options may be granted under the Plan.
- (f) Extend the maximum period after the date of grant during which Options may be exercised.

No amendment, modification, or termination of the Plan shall in any manner

adversely affect any Option previously granted under the Plan without the consent of the affected Participant.

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ARTICLE XI
WITHHOLDING TAX

Whenever shares of Stock are to be issued under the Plan, the Company shall have the power to require the recipient of the Stock to remit to the Company an amount sufficient to satisfy federal, state, and local tax and payroll withholding requirements deemed by the Company to be applicable in its sole discretion. The Company may also deduct the necessary amount of minimum withholding from the Participant's salary or, upon the exercise of an Option, withhold from delivery to the recipient a number of shares, the Fair Market Value of which is sufficient to satisfy federal, state, and local minimum withholding requirements.

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ARTICLE XII
UNFUNDED PLAN

The Plan shall be unfunded. The Company shall not be required to segregate any assets that may be represented by Options. The Company shall not be deemed to be a trustee of any amounts to be paid under any Option. Any liability of the Company to pay any Participant with respect to an Option shall be based solely upon any contractual obligations created pursuant to the provisions of the Plan; no such obligation shall be deemed to be secured by any pledge or encumbrance on any property of the Company.

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ARTICLE XIII
REQUIREMENT OF LAW

13.1 Requirement of Law.

The granting of Options and the issuance of shares of Stock shall be subject to all applicable laws, rules, and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required. The Company shall be under no obligation to effect the registration pursuant to the Securities Act of any shares of Stock to be issued hereunder or to effect similar compliance under any state laws. Notwithstanding anything herein to the contrary, the Company shall not be obligated to cause to be issued or delivered any certificates evidencing shares of Stock pursuant to the Plan, unless and until the Company is advised by its counsel that the issuance and delivery of such certificates

is in compliance with all applicable laws, regulations of governmental authority and the requirements of any securities exchange on which shares of Stock are traded. The Committee may require, as a condition of the issuance and delivery of certificates evidencing shares of Stock pursuant to the terms hereof, that the recipient of such shares make such covenants, agreements and representations, and that such certificates bear such legends, as the Committee, in its sole discretion, deems necessary or desirable.

The exercise of any Option granted hereunder shall only be effective at such time as counsel to the Company shall have determined that the issuance and delivery of shares of Stock pursuant to such exercise is in compliance with all applicable laws, regulations of governmental authorities and the requirements of any securities exchange on which shares of Stock are traded.

13.2 Governing Law.

The Plan, and all agreements hereunder, shall be construed in accordance with and governed by the laws of the State of Texas and applicable federal law. No person shall have any rights as a stockholder with respect to any shares of Stock covered by or relating to any Option granted pursuant to this Plan until the date of the issuance of a stock certificate with respect to such shares. Except as otherwise expressly provided in Section 5.3 hereof, no adjustment to any Option shall be made for dividends or other rights for which the record date occurs prior to the date such stock certificate is issued.

HEMOCAPITAL INVESTMENT CORPORATION

INCENTIVE OR NON-QUALIFIED

STOCK OPTION AGREEMENT

THIS STOCK OPTION AGREEMENT ("Agreement") is entered into between HomeCapital Investment Corporation Holding Company ("Company"), a Nevada corporation and _____ ("Grantee").

WITNESSETH:

WHEREAS, the Board of Directors ("Board") of the Company has approved the grant of stock options to directors, executive officers and key employees

pursuant to the HomeCapital Investment Corporation 1996 Stock Option Plan ("Plan"); and

WHEREAS, the Grantee is an employee of the Company or HomeOwners Mortgage & Equity, Inc., a Delaware corporation and wholly-owned subsidiary of the Company ("Home"), and has been selected to receive Incentive Stock Options and/or Non-Qualified Stock Options under the Plan.

NOW, THEREFORE, in consideration of the premises, the Company and the Grantee agree as follows:

I. GRANT OF STOCK OPTIONS

Incentive Stock Options. Subject to the terms and conditions set forth ----- herein and in the Plan which is attached hereto and incorporated herein by reference and made a part hereof for all purposes, the Grantee is hereby awarded Incentive Stock Options to purchase _____ shares of the Company's common stock, par value \$.01 per share (the "Stock"). For purposes of this Agreement the date of grant of the Option is _____. As of the date of grant, this Option shall have an Exercise Price equal to _____ per share.

Non-Qualified Stock Options. Subject to the terms and conditions set forth ----- herein and in the Plan which is attached hereto and incorporated herein by reference and made a part hereof for all purposes, the Grantee is hereby awarded Non-Qualified Stock Options to purchase _____ shares of the Company's common stock, par value \$.01 per share (the "Stock"). For purposes of this Agreement, the date of grant of the Option is _____. As of the date of grant, this Option shall have an Exercise Price equal to _____ per share.

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II. VESTING OF OPTIONS

The Grantee may exercise this Option only with respect to those shares that have vested in accordance with this Section II. Options granted pursuant to this Agreement shall vest during Grantee's employment with the Company with respect to _____ percent (___%) of the shares of Stock subject to this Agreement each year beginning on _____, 199_, and shall be fully vested on _____, 199_.

In event of a Change of Control (as defined in the Plan) of the Company, all Options subject to this Agreement will be fully vested.

This Option may not be exercised after the earlier of (i) _____ (no longer than ten years following the date of grant), or (ii) the day that is three (3) months (one year in the event of disability or if employment is terminated by death) after the date of termination of the employment of Grantee.

Neither Grantee nor any other person entitled to exercise the Option under

the terms of the Plan shall be, or have any of the rights or privileges of, a stockholder of the Company in respect of any shares of Stock issuable on exercise of the Option, unless and until the Exercise Price for such shares has been paid in full.

III. EXERCISE AND PAYMENT

Subject to the limitations set forth in this Agreement, the Grantee may exercise this Option by delivering, no less than five (5) business days prior to the proposed date of exercise, written notice to the Secretary of the Company specifying the number of shares of Stock to be purchased. The Exercise Price of any Option shall be payable to the Company in full at the time of exercise of the Option either (i) in cash or its equivalent, (ii) by tendering shares of Stock previously acquired by the Grantee having a Fair Market Value on the date of exercise equal to the total Exercise Price, or (iii) by a combination of (i) and (ii).

Any Option granted under the Plan may be exercised by a broker-dealer acting on behalf of a Participant if (i) the broker-dealer has received from the Participant or the Company a duly endorsed Stock Option Agreement evidencing such Option and instructions signed by the Participant requesting the Company to deliver the shares of Stock subject to such Option to the broker-dealer on behalf of the Participant and specifying the account into which such shares should be deposited, (ii) adequate provision has been made with respect to the payment of any withholding taxes due on such exercise and (iii) the broker-dealer and the Participant have otherwise complied with Section 220.3(e)(4) of Regulation T, 12 CFR Part 220.

Notation of any partial exercise shall be made by the Company on Schedule 1 attached hereto, and thereafter this Agreement shall be effective only as to the balance of the Option shares remaining.

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IV. DISPOSITIONS OF STOCK

Grantee hereby recognizes that the Options granted pursuant to this Agreement may not be transferred, except by will or under the laws of intestacy, descent and distribution upon the death of Grantee; and represents and warrants that shares of Stock acquired upon exercise of the Option shall be acquired only for the account of Grantee and not with a view to resale or distribution. In no event shall Grantee sell or otherwise dispose of shares of Stock acquired upon exercise of the Option prior to two (2) years from the date of grant of the Option or one (1) year from the date the shares of Stock were acquired, whatever is later. No sale or disposition of shares of Stock will be permitted, unless the Company is satisfied, by opinion of legal counsel satisfactory to the Company at the expense of the Grantee, that the proposed transaction is exempt from registration or qualification under, or otherwise complies with, applicable securities laws.

The Grantee shall be required to promptly notify the Company in the event of a sale or other disposition of any Stock acquired through the exercise of an Incentive Stock Option granted hereunder either (i) within two (2) years from the date of grant of the Option pursuant to which the subject shares of Stock were acquired, or (ii) within one (1) year after the acquisition of such Stock pursuant to the exercise of the Option. The Grantee shall also be required to disclose in the notice to the Company the amount of consideration realized upon such disposition.

V. GENERAL

Administration. Administration of this agreement will be governed by the -----
terms and conditions set forth in the HomeCapital Investment Corporation 1996 Stock Option Plan (the "Plan") in effect on the date of this grant, which document is incorporated herein in its entirety.

Notices. Every notice or other communication relating to this Agreement -----
shall be in writing, and shall be mailed to or delivered to the party for whom its is intended at such address as may from time to time be designated by such party. Unless and until some other address is so designated, all notices or communications by the Grantee to the Company shall be mailed to HomeCapital Investment Corporation, 6836 Austin Center Blvd., Suite 280, Austin, Texas 78731, Attention: John W. Ballard, President.

All notices by the Company to the Grantee may be delivered to the Grantee personally or may be mailed to the Grantee at the address shown on the records of the Company.

Withholding. The Company shall deduct from a payment of any kind due to -----
the Grantee, any federal, state or local taxes of any kind required by law to be withheld with respect to the exercise of the Stock Options.

Interpretation. This Agreement is subject in all respects to the terms of -----
the Plan, and in the event that any provision of the Agreement shall be inconsistent with the terms of the Plan, then the terms of the Plan shall govern. Any question of interpretation arising

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under this Agreement shall be determined by the Committee and its determinations shall be final and conclusive upon all parties in interest.

Counterparts. This Agreement may be executed in one or more counterparts, -----
each counterpart of which will be regarded for all purposes as an original.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the _____ day of _____, 19____.

GRANTEE:

COMPANY:

HEMOCAPITAL INVESTMENT CORPORATION

Name:

By: _____
JOHN W. BALLARD, President

Address: _____

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SCHEDULE 1

NOTATIONS AS TO PARTIAL EXERCISE

Date of Exercise	Number of Purchased Shares	Balance of Option Shares	Authorized Signature	Notation Date

WAREHOUSE LOAN AGREEMENT

THIS WAREHOUSE LOAN AGREEMENT ("Agreement") is made and entered into as of -----
the 1st day of June, 1996, between HOMEOWNERS MORTGAGE & EQUITY, INC., a
Delaware corporation ("Borrower") d/b/a HOME, INC., and GUARANTY FEDERAL BANK,

F.S.B., a federal savings bank ("GFB" or "Bank").
--- ----

W I T N E S S E T H:

WHEREAS, Borrower has requested that Bank make a loan (the "Loan") to

Borrower in the amount of \$2,000,000.00 to enable Borrower to originate and/or
purchase conventional home improvement and second lien mortgage loans and hold
such loans in its loan portfolio for up to sixty (60) days prior to purchase by
Investors (hereinafter defined);

NOW, THEREFORE, in consideration of the mutual covenants and agreements
herein contained and of the loans and Commitment of Bank hereinafter referred
to, Borrower and Bank agree as follows:

ARTICLE I

GENERAL TERMS

Section 1.01 Certain Definitions. As used in this Agreement, the

following terms shall have the-following meanings, unless the context otherwise
requires:

"Adjusted Tangible Net Worth" shall mean, as of any date, the amount

equal to (i) the sum of (A) the Net Worth of Borrower as of such date plus
(B) an amount equal to ninety percent (90%) of the Capitalized Servicing of
Borrower as of such date plus (C) an amount equal to ninety percent (90%)
of the Excess Servicing Receivables of Borrower, minus (ii) the value of
all Intangible Assets, Capitalized Servicing, Excess Servicing Receivables
and receivables from Affiliates of Borrower on such date.

"Advance" means a Warehouse Advance.

"Affiliate" shall mean (i) any Person (hereinafter defined) directly

or indirectly (through one or more intermediaries) controlling, controlled
by or under common control, with the Person in question, which in the case
of a Person which is a partnership, shall include each of the constituent
partners, whether general or limited partners thereof, or (ii) any Person
who is a director, shareholder, officer or employee of (a) such Person or
(b) any person described in the preceding clause (i). The term "control",
as used in the immediately preceding sentence, means, with respect to a
corporation, any ownership interest which exceeds ten percent (10%) of the
issued and outstanding stock in such corporation, and, with respect to an
entity that is not a corporation, the possession, directly or indirectly,
of any ownership interest which exceeds ten percent (10%) of the ownership
interests in such entity.

"Agency" means FNMA, FHLMC or GNMA.

"Agency Commitment" means a binding and enforceable agreement on the

part of (a) FNMA or FHLMC to issue Mortgage Backed Securities in exchange
for Mortgage Loans or (b) GNMA to guaranty Mortgage Backed Securities to be
issued by the Borrower. Agency Commitment includes the FNMA Guide, the

FHLMC Guide or the GNMA Guide, as applicable pursuant to which such Agency Commitment was issued.

"Agency Custodian" means GFB in its capacity as document custodian on behalf of an Agency.

"Agency Forms" means forms promulgated by an Agency for use in connection with the delivery of Mortgage Loans and the issuance or guaranty of a Mortgage Backed Security pursuant to an Agency Commitment.

"Agreement" shall mean this Warehouse Loan Agreement, as the same may from time to time be amended or supplemented.

"Appraisal" means a written statement as to the market value of the property upon which a Lien is granted pursuant to a Mortgage to secure a Mortgage Loan.

"Appraisal Laws and Regulations" means laws set forth in Title XI of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 and the Federal Deposit Insurance Corporation Improvement Act of 1991 and regulations promulgated by the Office of the Comptroller of the Currency (the "OCC") or any other Governmental Authority in connection therewith regarding Appraisals with respect to loans made by Persons regulated by the OCC.

"Average Advances" shall mean for any period of time, the product of the following calculation, (a) the sum of the daily totals of outstanding Advances, divided by (b) the number of days in such period of time.

"Average Deposit Balances" means for any period of time, the average daily amount of free collected balances maintained in non-interest bearing demand deposit accounts in the name of Borrower or its Affiliates with Bank, including any escrow or custodial accounts held for third parties, after deducting float and balances required by Bank under its normal practices to compensate Bank for the maintenance of such accounts and taking into consideration all Reserve Requirements applicable to such accounts. Borrower represents and warrants to Bank that the only deposits made by such Borrower with Bank shall be deposits which shall not be subject to any legal requirement or contractual or regulatory provision (a) requiring payment of interest by any party or depository on such deposits, or (b) resulting in the classification of such deposits as special deposits rather than general deposits. Borrower represents and warrants to Bank that Borrower shall deposit with Bank only those funds for which Bank is an authorized depository under any material agreement of Borrower and all applicable laws and regulations.

"Bank" shall have the meaning assigned to such term in the preamble hereof.

"Base Rate" means the rate of interest per annum equal to the base or prime rate for commercial loans as publicly announced from time to time by Bank, as the same may vary from time to time upward or downward with (and effective as of the date of) each announcement, without notice to Borrower or any guarantor (such rate being set by Bank as a general rate of reference, taking into account such factors as Bank may deem appropriate, it being understood that many of its commercial and other loans are priced in relation to such rate, that it is not necessarily the lowest or best rate actually charged to any of Bank's customers and that it may make various commercial or other loans at rates of interest having no relationship to such rate), subject, however, to the right of Bank, at any time and from time to time, to substitute a substantially comparable reference rate of interest in lieu of the base rate of Bank, upon giving notice to Borrower.

"Borrower" shall have the meaning assigned to such term in the preamble hereof.

"Borrowing" shall mean a borrowing consisting of an Advance by the

Bank in connection with a Credit Request.

"Borrowing Base" as of any time of determination means the aggregate

Collateral Value of all Mortgage Collateral.

"Borrowing Date" with respect to a particular Borrowing shall mean the

Business Day, identified by Borrower in the related Credit Request, as the
date on which Borrower requests that the Bank make Advances in respect of
such Borrowing.

"Business Day" shall mean any day on which Bank is open for business.

"Capitalized Servicing" shall mean the servicing owned by Borrower

which is capitalized on the balance sheet of Borrower in accordance with
GAAP.

"Cash Equivalents" shall mean (i) securities issued or directly and

fully guaranteed or insured by the United States Government or any agency
or instrumentality thereof which mature within ninety days from the date of
acquisition and (ii) time deposits and certificates of deposit, which
mature within ninety days of the date of acquisition of any domestic
commercial bank having capital and surplus in excess of \$200,000,000.00,
which has, or the holding company of which has, a commercial paper rating
of at least A-1 or the equivalent thereof by Standard & Pools Corporation
or P-1 or the equivalent thereof by Moody's Investors Service, Inc.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Collateral" shall have the meaning given to such term in the Security

Agreement.

"Collateral Schedule" shall mean a schedule delivered to Bank along

with a Credit Request pursuant to the terms of Section 4.02 hereof.

"Collateral Value" shall mean as of any date of determination, with

respect to Mortgage Loans, an amount equal to ninety-seven percent (97%) of
the least of: (i) the actual out of pocket costs to Borrower of such
Mortgage Collateral (or in the case of any Mortgage Note funded by
Borrower, the original principal amount of such Mortgage Note minus any
discount points paid to Borrower upon the closing of the loan evidenced by
such Mortgage Note), or (ii) the Take-Out Value of such item of Mortgage
Collateral, or (iii) the outstanding principal balance of the Mortgage
Collateral, or (iv) at the option of Bank, the Market Value of such
Mortgage Note; provided, however, that (a) any Mortgage Note shall be
utilized in the computation of Collateral Value for a maximum period of
sixty (60) days, (b) any Mortgage Note which is in default, shall be
excluded from the computation of Collateral Value, (c) the cumulative
Collateral Value at any time attributable to Second Lien Mortgage Loans
other than (i) Conventional Home Improvement Loans, (ii) Conventional
Purchase Money Second Lien Loans and (iii) Conventional Equity Recovery
Loans, shall be limited to \$1,000,000.00, and (d) the cumulative Collateral
Value at any time attributable to Mortgage Notes which evidence Wet
Advances shall be limited to \$500,000.00.

"Commitment" as to Bank shall mean the obligation of Bank to make

Advances to Borrower pursuant to Section 2.01 hereof in an aggregate amount

not to exceed at any one time outstanding the amount of \$2,000,000.00.

"Commitment Termination Date" (or maturity date of the Loan) shall

mean January 31, 1997 or such earlier date on which the Commitment

terminates as provided in this Agreement.

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"Company Loan Number" shall mean the number assigned by the Borrower

to a Mortgage Loan to facilitate the servicing of such Mortgage Loan by the Borrower and the delivery, holding and transfer of Mortgage Documents relevant to such Mortgage Loan pursuant to this Agreement.

"Compliance Certificate" shall mean the Compliance Certificate

attached hereto as Exhibit "L" incorporated herein by this reference.

"Conventional Equity Recovery Loan" shall mean a Conventional Loan

which is secured by a first or second lien mortgage on a non-homestead second or vacation home and the proceeds are not used for the purchase of the home.

"Conventional Home Improvement Loan" shall mean a Conventional Loan

which is secured by a second lien mortgage and the proceeds of which are utilized solely for construction of improvements to the home encumbered by such Mortgage.

"Conventional Loan" means a Mortgage Loan (excluding FHA Loans and VA

Loans) reasonably satisfactory to the Bank, which conforms to the eligibility requirements established by an Investor pursuant to the requirements of a Take-out Commitment acceptable to Bank.

"Conventional Purchase Money Second Lien Loan" shall mean a

Conventional Loan which is secured by a second lien mortgage and the proceeds of which are utilized to purchase the home encumbered by such Mortgage.

"Covered Mortgage Loan" means a Conventional Loan, a Conventional Home

Improvement Loan, a Conventional Purchase Money Second Lien Loan, or Conventional Equity Recovery Loan, with respect to which Borrower has a Take-Out Commitment (excluding Take-out Commitments issued by an Affiliate of Borrower) for the sale of that specific Mortgage Loan as evidenced by the written approval of Investor as to that specific Mortgage Loan.

"Credit Request" shall mean a Mortgage Warehouse Credit Request for a

Borrowing in the form of Exhibit "A" attached hereto.

"Custodian Fees" are defined in Section 11.03 hereof.

"Debtor Laws" shall mean all applicable liquidation, conservatorship, bankruptcy, moratorium, arrangement, receivership, insolvency, reorganization or similar laws from time to time in effect affecting the rights of creditors generally.

"Default" shall mean any of the events specified in Section 8.01

hereof, whether or not any requirement for notice or lapse of time or any other condition has been satisfied.

"Delivery Commitment Certificate" means an agreement in the form

attached hereto as Exhibit "B" which Borrower may from time to time deliver

to the Bank pursuant to the terms hereof.

"Dividends" in respect of any corporation, shall mean:

- (i) Cash distributions or any other distributions on, or in respect of, any class of capital stock of such corporation, except for distributions made solely in

- (ii) Any and all funds, cash or other payments made in respect of the redemption, repurchase or acquisition of such stock, unless such stock shall be redeemed or acquired through the exchange of such stock with stock of the same class.

"Dry Advance" shall mean an Advance which is not a Wet Advance.

"ERISA" shall mean the Employee Retirement Income Security Act of

1974, as amended.

"ERISA Affiliate" of Borrower or any Subsidiary of Borrower shall mean

any trade or business (whether or not incorporated) which, together with Borrower or such Subsidiary, as the case may be, would be treated as a single employer under Section 4001 of ERISA.

"Event of Default" shall mean any of the events specified in Section

8.01 hereof, provided that there has been satisfied any requirement in

connection with such event for the giving of notice or the lapse of time.

"Excess Servicing Receivables" shall mean the difference in the note

rate of a Mortgage Loan which has been sold to an Agency or Investor by Borrower on a servicing retained basis and the rate given with respect to such Mortgage Loan by Borrower to such Agency or Investor to the extent such receivable is capitalized on the balance sheet of Borrower in accordance with GAAP.

"FDIC Percentage" shall mean, on any day, the net assessment rate

(assessed as a percentage rounded to the next highest .01 of one percent) which is in effect on such day (under the regulations of the Federal Deposit Insurance Corporation or any successor) for determining the assessments paid by Bank to the Federal Deposit Insurance Corporation (or any successor) for insuring time deposits made in dollars at Bank's principal offices in Dallas, Texas. Each determination of said percentage made by Bank shall, in the absence of manifest error, be binding and conclusive.

"Federal Funds Rate" means, for any period, a fluctuating interest

rate per annum equal for each day during such period to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average of the quotations for such day on such transactions received by the Bank from three Federal funds brokers of recognized standing selected by it.

"FHA" shall mean the Federal Housing Administration.

"FHA Loan" shall mean a Mortgage Loan, payment of which is completely

insured by the FHA under the National Housing Act or Title V of the Housing Act of 1949 or with respect to which there is a current, binding and enforceable commitment for such insurance issued by the FHA.

"FHLMC" shall mean the Federal Home Loan Mortgage Corporation, a

wholly-owned corporate instrumentality of the United States of America created pursuant to the Emergency House Finance Act of 1970, or its successor.

"FHLMC Guide" means the FHLMC Sellers' & Servicers' Guide, as amended,

modified or supplemented from time to time.

"FHLMC Securities" shall mean participation certificates representing

undivided interests in mortgage loans purchased by FHLMC pursuant to the
Emergency Home Finance Act of 1970, as amended.

"Fixed Rate" shall mean a fixed rate of interest equal to three and

three quarters percent (3.75%) per annum.

"FNMA" shall mean the Federal National Mortgage Association, or its

successor.

"FNMA Guide" means the FNMA Selling Guide and the FNMA Servicing

Guide, as amended, modified or supplemented from time to time.

"FNMA Securities" shall mean modified pass-through mortgage backed

certificates guaranteed by FNMA pursuant to the National Housing Act, as
amended.

"FRB" shall mean any Federal Reserve Bank chartered under the laws of

the United States of America.

"FRB Member" shall mean any national banking association or other

Person which is authorized to hold and trade Uncertificated Mortgage Backed
Securities in its name for the account of others through an FRB and which
is acceptable to the Bank in its sole discretion.

"Funding Account" shall mean the non-interest bearing demand checking

account (Account Number 3940000965) established by Borrower with the Bank
to be used for (i) the deposit of proceeds of Advances; and (ii) the
funding of Mortgage Notes by Borrower.

"Generally Accepted Accounting Principles" or "GAAP" shall mean those

generally accepted accounting principles and practices which are recognized
as such by the American Institute of Certified Public Accountants acting
through its Accounting Principles Board or by the Financial Accounting
Standards Board or through other appropriate boards or committees thereof
and which are consistently applied for all periods after the date hereof,
except that any accounting principle or practice required to be changed by
the said Accounting Principles Board or Financial Accounting Standards
Board (or other appropriate board or committee of the said Boards) in order
to continue as a generally accepted accounting principle or practice may so
be changed.

"GNMA" shall mean the Government National Mortgage Association, a

wholly-owned corporate instrumentality of the United States of America
within the Department of Housing and Urban Development, or its successor.

"GNMA Guide" means the GNMA I and GNMA II Mortgage Backed Securities

Guides, GNMA Handbooks 5500.1 and 5500.2, as amended, modified or
supplemented from time to time.

"GNMA Securities" shall mean modified pass-through type mortgage

backed certificates guaranteed by GNMA pursuant to Section 306(g) of the
National Housing Act, as amended.

"Governmental Authority" means any nation or government, any agency,

department, state or other political subdivision thereof, and any entity
exercising executive, legislative, judicial, regulatory or administrative
functions of or pertaining to government.

"Governmental Requirement" shall mean any law, statute, code,

ordinance, order, rule, regulation, judgment, decree, injunction,

franchise, permit, certificate, license, authorization or other direction or

requirement (including, without limitation, any of the foregoing which relate to environmental standards or controls, energy regulations and occupational, safety and health standards or controls) of any (domestic or foreign) federal, state, county, municipal or other government, quasi-governmental agency, department, commission, board, court, agency or any other instrumentality of any of them (including without limitation, FHLMC, GNMA, FNMA, HUD, VA and FHA), which exercises jurisdiction over Borrower or any of its Property.

"Guaranty" of any Person shall mean any contract, agreement or

understanding of such Person pursuant to which such Person guarantees, or in effect guarantees, any Indebtedness of any other Person (the "Primary Obligor") in any manner, whether directly or indirectly, including without

limitation agreements: (i) to purchase such Indebtedness or any property constituting security therefor; (ii) to advance or supply funds (A) for the purchase or payment of such Indebtedness, or (B) to maintain working capital or other balance sheet conditions, or otherwise to advance or make available funds for the purchase or payment of such Indebtedness; (iii) to purchase property, securities or service primarily for the purpose of assuring the holder of such Indebtedness of the ability of the Primary Obligor to make payment of the Indebtedness; or (iv) otherwise to assure the holder of the Indebtedness of the Primary Obligor against loss in respect thereof; except that "Guaranty" shall not include the endorsement

in the ordinary course of business of negotiable instruments or documents for deposit or collection.

"Indebtedness" of any Person shall mean (i) all indebtedness of such

Person, whether or not represented by bonds, debentures, notes or other securities, for the repayment of money borrowed, (ii) all deferred indebtedness of such Person for the payment of the purchase price of property or assets purchased, (iii) all obligations of such Person under any lease which are required to be capitalized for balance sheet purposes, (iv) all Guaranties of such Person, (v) all indebtedness secured by any Lien existing on property owned by such Person, whether or not the indebtedness secured thereby shall have been assumed by such Person, (vi) all unfunded benefit liabilities (within the meaning of 4001(a)(18) of ERISA) under each Plan maintained by such Person or its Related Persons, (vii) any obligation of such Person (a) created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person, or (b) under letters of credit, acceptances or similar obligations issued or created for the account of such Person.

"Intangible Assets" of any Person shall mean those assets of such

Person which are (i) deferred assets, (ii) contract rights to service mortgage loans, patents, copyrights, trademarks, trade names, franchises, goodwill, experimental expenses, and other similar assets which would be classified as intangible on a balance sheet of such Person prepared in accordance with GAAP, (iii) unamortized debt discount and expense and (iv) assets located, and notes and receivables due from obligors domiciled outside the United States of America.

"Interest Payment Date" means (i) the tenth day of each month,

beginning July 10, 1996, and (ii) any day on which past due interest or principal is owed hereunder and is unpaid.

"Interest Rate Election Notice" shall mean a notice given by Borrower

in the form attached hereto as Exhibit "M" pursuant to Section 2.04(a).

"Investor" shall mean any Person (other than an Affiliate of

Borrower), which may include GFB, approved by Bank in its sole discretion who agrees to purchase Mortgage Notes pursuant to a Take-Out Commitment.

"Lien" shall mean any mortgage, pledge, hypothecation, assignment,

deposit arrangement, encumbrance, lien (whether statutory or otherwise), or
preference, priority or other security agreement or

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preferential arrangement of any kind or nature whatsoever (including,
without limitation, any conditional sale or other title retention
agreement, any financing lease having substantially the same economic
effect as any of the foregoing, and the filing of any financing statement
under the uniform commercial code or comparable law of any jurisdiction in
respect of any of the foregoing).

"Loan" shall mean at any time the aggregate unpaid principal amount of

all Advances.

"Loan Documents" shall mean this Agreement, the Note, the Security

Agreement and any and all other agreements or instruments now or hereafter
executed and delivered by Borrower or any other Person in connection with,
or as security for the payment or performance of, the Note or this
Agreement, as such agreements may be amended or supplemented from time to
time.

"Market Value" of any Mortgage Note shall mean at any time the market

value of such Mortgage Note based upon the then most recent posted net
yield furnished by FNMA and published and distributed by Telerate Mortgage
Services; provided, that if such posted net yield is not available from
Telerate Mortgage Services, Bank shall obtain such posted net yield from
FNMA. If the Bank is unable to obtain any yield, bid price or factor from
the source or alternative source called for under this definition, such
yield, price or factor shall be that established by the Bank in good faith.

"Material Adverse Effect" shall mean any event or set of circumstances

that (i) would have a material adverse effect on the validity or
enforceability of this Agreement, the Note or any Loan Document, (ii) is,
or upon the passage of time or happening of an event will be, material and
adverse to the financial condition or business operations of Borrower, or
(iii) would materially impair the ability of Borrower to fulfill its
obligations under this Agreement, the Note or any Loan Document to which it
is a party.

"Maximum Loan Amount" means, at any time, the sum of \$2,000,000.00.

"Maximum Rate" means at the particular time in question the maximum

rate of interest which, under applicable law, may then be charged on each
Note. If such maximum rate of interest changes after the date hereof, the
Maximum Rate shall be automatically increased or decreased, as the case may
be, without notice to Borrower from time to time as of the effective time
of each change in such maximum rate. If applicable law ceases to provide
for such a maximum rate of interest, the Maximum Rate shall be a per annum
rate of interest equal to six percent (6.0%) plus the Base Rate from time
to time in effect.

"Mortgage" shall mean a mortgage or deed of trust, on standard forms

approved by VA, FHA, FNMA or FHLMC or otherwise in form and substance
satisfactory to Bank, granting a perfected first-priority (or second-
priority in the case of a Second Lien Mortgage Loan) lien on residential
real property consisting of land and a single family (1-4 family) dwelling
thereon which is completed and ready for occupancy.

"Mortgage Backed Securities" shall mean FHLMC Securities, FNMA

Securities and GNMA Securities, whether such securities are issued in
certificated form or book entry form.

"Mortgage Collateral" shall mean all Mortgage Notes and those items

described in Delivery Commitment Certificates, which Bank has accepted as
Mortgage Collateral hereunder supported by the documentation specified
herein, which meets continuously the following additional conditions: (i)

which at all times constitute a Covered Mortgage Loan, (ii) which are made payable to the order of Borrower or have been endorsed (without restriction or limitation) payable to the order of Borrower, (iii) in which the Bank has been granted and continues to hold a perfected first-priority security interest, (iv) which are in

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form and substance acceptable to the Bank in its reasonable discretion, (v) which are secured by Mortgages, (vi) which, together with such Mortgages, conform in all respects with all the requirements for purchase of such Mortgage Notes under the Take-Out Commitments and are valid and enforceable in accordance with their respective terms, (vii) under which there shall be no default as to the payment of any installment of principal or interest, or other default, and foreclosure or other similar proceedings shall not have been commenced with respect thereto, (viii) there shall be no pending claim for any credits, allowance or adjustment with respect thereto, (ix) each Mortgage Loan is delivered to Bank not more than five (5) Business Days after the date of funding of such Mortgage Loan, (x) if required by applicable Appraisal Laws and Regulations, is covered by an Appraisal which complies with all applicable Appraisal Laws and Regulations and (xi) which are one of the following, a Conventional Equity Recovery Loan, a Conventional Home Improvement Loan, a Conventional Purchase Money Second Lien Loan or a Second Lien Mortgage Loan.

"Mortgage Documents" means, for any Mortgage Loan, the Principle

Documents and the Other Mortgage Documents relevant thereto.

"Mortgage File" means the Mortgage File Summary and the Principle

Mortgage Documents relevant to a Mortgage Loan.

"Mortgage File Summary" means a summary setting forth the pertinent

information for the Principle Mortgage Documents relevant to a Mortgage Loan.

"Mortgage Loan" means a loan represented by a Mortgage Note which

bears interest at either a fixed rate or an adjustable rate and which is collateralized or secured by a Mortgage; provided, that in no event shall Mortgage Note mean a promissory note evidencing a commercial loan.

"Mortgage Note" shall mean a promissory note evidencing a Conventional

Loan, Second Lien Mortgage Loan, Conventional Equity Recovery Loan, Conventional Home Improvement Loan, or Conventional Purchase Money Second Lien Loan.

"Net Collateral Deficit" means, at any time, the amount, if any, by

which the aggregate Collateral Value of all Mortgage Collateral is exceeded by the outstanding principal balance of the Loan.

"Net Collateral Surplus" means, at any time, the amount, if any, by

which the aggregate Collateral Value of all Mortgage Collateral exceeds the outstanding principal balance of the Loan.

"Net Income" means, for any period of time, the net income appearing

on an income statement of such Person prepared as of the end of such calendar quarter in accordance with GAAP.

"Net Worth" of any Person shall mean, as of any date, the total

shareholder's equity (including capital stock, additional paid-in capital and retained earnings after deducting treasury stock) which would appear on a balance sheet of such Person prepared as of such date in accordance with GAAP.

"Note" means the Warehouse Promissory Note delivered by the Borrower

to the Bank pursuant to Section 2.02 in the form attached hereto as Exhibit

"C" (together with all renewals, extensions and other modifications

thereof), evidencing the obligation of Borrower to repay Advances made hereunder and all other Obligations.

"Obligations" shall mean all present and future indebtedness,

obligations, and liabilities of Borrower to the Bank, and all renewals and extensions thereof, or any part thereof, arising pursuant to this

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Agreement or any other Loan Document, and all interest accruing thereon, and reasonable attorneys' fees incurred in the drafting, negotiation, enforcement or collection thereof, regardless of whether such indebtedness, obligations, and liabilities are direct, indirect, fixed, contingent, joint, several or joint and several.

"OCC" means the Office of the Comptroller of the Comptroller of the

Currency of the United States of America and any Governmental Authority succeeding to the functions of such office.

"Operating Account" means the non-interest bearing demand deposit

account (Account Number 3206017075) established by the Borrower with the Bank which account, subject to the provisions of Section 3.06, is subject

to the sole dominion and control of the Borrower.

"Other Mortgage Documents" shall mean the Mortgage Loan documents

(other than the Principle Mortgage Documents) including but not limited to those documents listed in Section 3.02 (other than the Principle Mortgage

Documents).

"PBG" shall mean the Pension Benefit Guaranty Corporation and any

successor to any or all of the Pension Benefit Guaranty Corporation's functions under ERISA.

"Permitted Liens" shall mean: (i) Liens granted to the Bank to secure

the Obligations, or (ii) Liens for taxes, assessments or other governmental charges either not yet due or being diligently contested in good faith (and for the payment of which adequate reserves have been established) by appropriate proceedings so long as such proceedings do not involve any material danger of the sale, forfeiture, loss or loss of use of the affected Property.

"Person" shall mean any individual, corporation, partnership, joint

venture, association, joint stock company, trust, unincorporated organization, government or any agency or political subdivision thereof, or any other form of entity.

"Plan" shall mean any employee benefit plan or other plan which is

subject to the provisions of Title IV of ERISA or to the minimum funding standards under Section 412 of the Code and which is maintained for employees of Borrower or any Subsidiary of Borrower or any of their respective ERISA Affiliates.

"Principle Mortgage Documents" shall mean those documents listed in

Section 3.02(a), (b) and (c).

"Prohibited Transaction" shall mean any transaction described in

Section 406 of ERISA which is not exempt under Section 408 of ERISA, and any transaction described in Section 4975(c) of the Code which is not exempt under Section 4975(c)(2) or 4975(d) of the Code, or by the transitional rules of Sections 414(c) of ERISA.

"Property" shall mean any interest in any kind of property or asset,

whether real, personal or mixed, or tangible or intangible.

"PTC" shall mean the Participants Trust Company.

"PTC Member" shall mean any Person which is authorized to hold and

trade Uncertificated GNMA Securities in its name for the account of others through the PTC and which is acceptable to the Bank in its sole discretion.

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"Regulation U" shall mean Regulation U promulgated by the Board of

Governors of the Federal Reserve System, 12 C.F.R. Part 221, or any other regulation hereafter promulgated by said Board to replace the prior Regulation U and having substantially the same function.

"Regulation X" shall mean Regulation X promulgated by the Board of

Governors of the Federal Reserve System, 12 C.F.R. Part 224, or any other regulation hereafter promulgated by said Board to replace the prior Regulation X and having substantially the same function.

"Related Person" means the Borrower and any of Borrower's Affiliates.

"Reportable Event" shall mean a reportable event described in Section

4043 of ERISA or the regulations thereunder for which the 30-day notice is not waived by such regulations, a withdrawal from a Plan described in Section 4063 or 4064 of ERISA, or a cessation of operations described in Section 4062(e) of ERISA.

"Requirement of Law" as to any Person shall mean the articles of

incorporation and by-laws or other organizational or governing documents of such Person, and any law, statute, code, ordinance, order, rule, regulation, judgment, decree, injunction, franchise, permit, certificate, license, authorization or other determination, direction or requirement (including, without limitation, any of the foregoing which relate to environmental standards or controls, energy regulations and occupational, safety and health standards or controls) of any arbitrator, court or other governmental authority, in each case applicable to or binding upon such Person or any of its Property or to which such Person or any of its Property is subject.

"Reserve Requirements" means (a) the maximum aggregate reserve

requirement imposed on the Bank (including all basic, supplemental, marginal and other reserves and taking into account any transitional adjustments or other scheduled changes in reserve requirements) that is imposed on non-personal time deposits of \$100,000 or more, and (b) the net assessment rate per annum payable to the Federal Deposit Insurance Corporation (or any successor) for the insurance of domestic deposits of Bank during the calendar year in which such assessment rate is determined, as reasonably estimated by Bank.

"Second Lien Mortgage Loan" shall mean a Mortgage Loan which qualifies

under the definition of Mortgage Collateral except for the fact that it is secured by a Mortgage which grants a perfected second-priority lien on

residential real property consisting of land and a single family (1-4 family) dwelling thereon which is completed and ready for occupancy. Such Mortgage Loan shall be a Covered Mortgage Loan.

"Securities Credit Transaction Regulation" shall mean Regulations G,

U and X issued by the Board of Governors of the Federal Reserve System as in effect from time to time.

"Security Agreement" shall mean that certain Security Agreement (and

Assignment of Rights) dated of even date herewith executed by Borrower for the benefit of the Bank and all renewals, modifications, replacements or supplements to such agreement.

"Servicing Agreements" shall mean all agreements relating to Servicing

Rights owned by Borrower, between Borrower and Persons other than Borrower pursuant to which Borrower undertakes to service loans evidenced by Mortgage Notes and pools of loans evidenced by Mortgage Notes owned, insured or guaranteed by such Persons.

"Servicing Records" shall mean all contracts and other documents,

books, records and other information (including without limitation, computer programs, tapes, discs, punch cards, data processing software and related property and rights) maintained with respect to the Servicing Rights.

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"Servicing Rights" shall mean all of Borrower's right, title and

interest in and under the Servicing Agreements, including, without limitation, the rights of Borrower to income and reimbursement thereunder.

"Settlement Account" shall mean the non-interest bearing demand

checking account (Account No. 3940000973) established by Borrower with the Bank to be used for (i) the deposit of proceeds from the sale of Mortgage Collateral and (ii) the payment of the Obligations.

"Subsidiary" means, with respect to any Person, any corporation,

association, partnership, joint venture, or other business or corporate entity, enterprise or organization which is directly or indirectly (through one or more intermediaries) controlled by or owned in any percentage by such Person.

"Take-Out Commitment" shall mean a current, valid, binding and

enforceable commitment to purchase that specific Mortgage Note which constitutes Mortgage Collateral (evidenced by the written approval of that Mortgage Loan from the Investor) within a period of not more than sixty (60) days from the date of such Mortgage Note related thereto in an amount, form and substance satisfactory to Bank in its reasonable discretion, issued by an Investor and with respect to which there shall be no condition which cannot be reasonably anticipated to be satisfied or complied with prior to its expiration.

"Take-Out Price" means, with respect to each Mortgage Loan, the

Take-Out Commitment price, expressed as a percentage. In the event that the price set forth in a Take-Out Commitment is stated as a yield and not as a percentage of par, a yield so stated shall be converted to a percentage price by the use of the "Net Yield Tables for GNMA Mortgage Backed Securities" published by Financial Publishing Company or the "Mortgage Yield Conversion Tables" published by FNMA, as applicable and as agreed upon by the Bank.

"Take-Out Value" of a Mortgage Loan means the lesser of (a) the amount

at which an Investor has committed to purchase such Mortgage Loan pursuant to a Take-Out Commitment or, if such Take-Out Commitment relates to a security to be backed by a pool of Mortgage Loans which includes such Mortgage Loan, the amount equal to (i) the commitment price for such security times (ii) the fraction of the aggregate outstanding principal balance of such pool of Mortgage Loans which is attributable to such Mortgage Loan and (b) the Take-Out Price of such Mortgage Loan.

"Tangible Net Worth" of Borrower shall mean at any time, as determined

by GAAP, an amount equal to the sum of (i) Borrower's Net Worth, minus (ii) the value of all assets of Borrower that would be characterized as Intangible Assets.

"Total Liabilities" of Borrower shall mean, as of any date, all

amounts which would be included as liabilities on a balance sheet of Borrower as of such date prepared in accordance with GAAP.

"UCC" shall mean the Uniform Commercial Code as adopted in the State

of Texas, TEX. BUS. & COM. CODE ANN. (S)1.101 ET SEQ. (Vernon 1968 and Supp. 1991), as the same may hereafter be amended.

"Uncertificated Mortgage Backed Security" shall mean a Mortgage Backed

Security which is in uncertificated form, as such term is used in the UCC.

"VA Loan" shall mean a Mortgage Loan covering real estate improved by

single family dwellings, payment of which is partially or completely
guaranteed by the Veteran's Administration (the "VA") under the

Serviceman's Readjustment Act of 1944 or Chapter 37 of Title 38 of the
United States Code or with

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respect to which there is a current binding and enforceable commitment for
such a guaranty issued by the VA.

"Voting Shares" of any corporation shall mean shares of any class or

classes (however designated) having ordinary voting power for the election
of at least a majority of the board of directors (or other governing
bodies) of such corporation, other than shares having such power only by
reason of the happening of a contingency.

"Warehouse Advance" means an Advance by the Bank to the Borrower

pursuant to Section 2.01(b).

"Warehouse Promissory Note" means the promissory note delivered by the

Borrower to the Bank pursuant to the first sentence of Section 2.02 in the

form attached hereto as Exhibit "C" and all renewals, extensions,

modifications and rearrangements thereof."

"Wet Advance" shall mean an Advance under the provisions of Section

2.03(b) hereof.

Section 1.02 Other Definitional Provisions.

(i) All meanings defined in this Agreement shall have the above-
defined meanings when used in the Note or any Loan Document, certificate,
report or other document made or delivered pursuant to this Agreement,
unless the context therein shall otherwise require. Defined terms not
specifically defined in the preceding provisions shall have the meaning
specified in the Security Agreement.

(ii) Defined terms used herein in the singular shall import the
plural and vice versa.

(iii) The words "hereof," "herein," "hereunder" and similar terms
when used in this Agreement shall refer to this Agreement as a whole and
not to any particular provision of this Agreement.

(iv) Section, schedule and exhibit references herein are references
to sections, schedules and exhibits to this Agreement unless otherwise
specified.

(v) As used herein, in the Note, or in any other Loan Document,
certificate, report or other document made or delivered pursuant hereto,
accounting terms relating to any Person and not specifically defined in
this Agreement or otherwise shall have the respective meanings given to
them under GAAP.

(vi) Unless otherwise specified herein, all times set forth herein
are Dallas, Texas time.

ARTICLE II

Section 2.01. Commitment.

(a) Advances in General. Subject to the terms and conditions

contained in this Agreement and applicable laws and regulations and so long as no Default or Event of Default has occurred and is continuing, the Bank agrees to make Warehouse Advances according to the Commitment, to or for the

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account of the Borrower on a revolving credit basis from time to time on any Business Day from the date of this Agreement through the earlier to occur of the Commitment Termination Date in an amount not to exceed at any one time outstanding the Commitment of the Bank.

(b) Warehouse Advances. Each Borrowing under this Section 2.01(b)

shall be in an aggregate amount of not less than \$2,500.00 and shall consist of Warehouse Advances made on the Borrowing Date by the Bank according to its Commitment; provided, however, that: (i) the aggregate amount of Warehouse Advances at any time outstanding shall not exceed the Commitment; and (ii) the aggregate amount of Warehouse Advances outstanding shall not at any time exceed the Borrowing Base. Within the limits of the Bank's Commitment and subject to the other terms and conditions hereof, the Borrower may borrow, repay pursuant to Section 2.06 and reborrow under this

Section 2.01(b).

Section 2.02. Note. The Warehouse Advances made by Bank pursuant to

Section 2.01(b) shall be evidenced by a Warehouse Promissory Note payable to Bank in the principal amount of the Commitment of Bank. The Note shall be payable and bear interest as set forth therein.

Section 2.03. Notice and Manner of Obtaining Borrowings; Wet Advances.

(a) Borrowings. Borrower shall give the Bank (i) prior to

9:00 p.m. (Dallas, Texas time) on the Business Day prior to a Borrowing Date, telephonic or telecopy notice of the amount of such requested Borrowing and (ii) written notice by means of a Credit Request sent to Bank by telecopy or Federal Express and received by Bank prior to 10:30 a.m. (Dallas, Texas time) on the Borrowing Date in accordance with the provisions of Section 4.02 hereof. The Bank will make such funds available

to the Borrower in accordance with Section 3.06.

(b) Wet Advances. Borrower may from time to time request that

certain Advances be funded prior to the delivery to the Bank of the items of Mortgage Collateral described in Sections 3.02(a), (b) and (c) (such Advances being hereinafter referred to individually as a "Wet Advance" and collectively as "Wet Advances"). The Bank hereby agrees to make Warehouse Advances to fund such Wet Advances in accordance with Section 2.03(a)

subject to the terms and conditions of this Agreement, including, without limitation, the following terms and conditions:

(i) (A) Simultaneously with the delivery to Bank of a Credit Request requesting a Wet Advance, Borrower shall deliver to Bank each of the following:

(1) a true and correct copy of a Collateral Schedule (attached as Schedule I to the Credit Request) identifying the

Mortgage Notes offered as collateral pursuant to such Credit Request.

(B) No later than 10:30 a.m. (Dallas, Texas time) on the Borrowing Date, Borrower shall cause to be delivered directly to Bank via Federal Express by the title company (which shall not be an Affiliate of Borrower) closing each Mortgage Note funded by such Wet Advance each of the following:

(1) a true and complete photocopy of each such proposed Mortgage Note, although the same has not yet been signed by the maker thereof;

(2) a true and complete photocopy of the proposed Mortgage related to each such Mortgage Note, although the same has not yet been signed by the grantor thereof;

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(3) a true and complete photocopy (or if requested by Bank, an original) of the executed Take-Out Commitment relating to each such Mortgage Note;

(4) an original assignment (leaving the name of the assignee blank) executed by Borrower for each such Mortgage Note and the Mortgage securing such Mortgage Note, in recordable form, and otherwise in form satisfactory to Bank;

(5) (a) a true and complete photocopy of the closing instructions executed by Borrower and the title company closing the transaction (which shall not be an Affiliate of Borrower) evidenced by each such Mortgage Note and (b) copies of the Federal Truth in Lending Act and Real Estate Settlement Procedures Act disclosure statements required to be provided to the maker of such Mortgage Note; and

(6) a Delivery Commitment Certificate in the form attached hereto as Exhibit "B".

(ii) No Wet Advance shall be made if, after the making of such Wet Advance, the aggregate principal amount of all Wet Advances outstanding would exceed \$500,000.00;

(iii) Borrower shall, and does hereby, grant to Bank pursuant to the Security Agreement, a perfected, first priority security interest in the Mortgage Notes identified in the Credit Request delivered to Bank in connection with such Wet Advance; and

(iv) Borrower shall cause the title company closing the transaction evidenced by each such Mortgage Note to deliver to the Bank, not later than five (5) Business Days after the date of each Wet Advance, the original each of such Mortgage Notes, endorsed in blank and the original filed copy, or a true and correct copy of the original filed copy acceptable to the Bank, of the Mortgage relating to each such Mortgage Note, certified by the title company as being true, correct and complete, as described in Sections 3.02(a) and (b),

with respect to such Wet Advance.

Section 2.04. Interest. (a) On or before 5:00 p.m. (Dallas, Texas time)

on that date which is four (4) Business Days prior to the first day of each calendar month (the "Applicable Month") during the term of this Loan, Borrower

shall transmit to Bank by telecopy received by Bank prior to 5:00 p.m. (Dallas, Texas time) ("Minimum Notice Period") on the next Business Day ("Interest

Election Date"), an Interest Rate Election Notice in the form attached hereto as

Exhibit "M". By such notice Borrower shall inform Bank of its election that the

Applicable Month be considered a Base Rate Month (herein so called) or a Federal Funds Rate Month (herein so called). In the event that Borrower elects a Base Rate Month, then commencing with the first day of the Applicable Month the Base Rate shall apply during such calendar month. In the event that Borrower chooses a Federal Funds Rate Month, then the Federal Funds Rate shall apply during such calendar month. To the extent that Borrower has not made an effective election

under and in accordance with this subparagraph, the Base Rate shall apply pursuant to the provisions contained herein.

(b) The Bank shall calculate the interest owed by Borrower under its Note and submit to Borrower on the fifth day of each calendar month, Bank's invoice to Borrower with respect to interest, principal and any fees and expenses owed by Borrower to Bank for the preceding calendar month.

(c) Prior to a Default, interest shall accrue on the outstanding principal balance of the Note as follows:

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- (1) In a Federal Funds Rate Month, interest shall accrue at the Fixed Rate for such month; provided, however, that to the extent that Bank's Average Advances exceeds the Bank's Average Deposit Balance in any calendar month, as determined as of the last day of such calendar month, the amount of such excess shall bear interest for such month at a rate per annum equal to the lesser of (a) the sum of the Federal Funds Rate and three and three quarters percent (3.75%) or (b) the Maximum Rate.
- (2) In a Base Rate Month, interest shall accrue at the Fixed Rate for such month; provided, however, that to the extent that Bank's Average Advances exceeds Bank's Average Deposit Balance in any calendar month, as determined as of the last day of such calendar month, the amount of such excess shall bear interest for such month at the rate per annum equal to the lesser of (a) the sum of the Base Rate and one and three quarters percent (1.75%) or (b) the Maximum Rate.

In the event that at any time any of the rates set forth in this subparagraph (c) shall exceed the Maximum Rate, thereby causing the interest on -----
such portion of the principal balance of a Note to be limited to the Maximum Rate, then any subsequent reduction in any interest rate shall not reduce the rate of interest below the Maximum Rate until the total amount of interest accrued on the Note equals the amount of interest which would have accrued on the Note if the rate so limited had at all times been in effect.

(d) After a Default, interest shall accrue on the outstanding principal balance of a Note at a rate per annum equal to the lesser of (x) the Base Rate plus 6%, or (y) the Maximum Rate. All calculations of interest shall be on the basis of a 360 day year, except that calculations of interest based on the Maximum Rate shall be on the basis of a 365/366 day year, as applicable.

Section 2.05 Net Collateral Deficit. At any time that a Net Collateral -----
Deficit is found to exist, Borrower shall within three (3) Business Days eliminate such Net Collateral Deficit either (a) by delivering to the Bank Mortgage Collateral, the Collateral Value of which is equal to or greater than the amount of such Net Collateral Deficit, or (b) by paying to the Bank, the amount of such deficit in accordance with Section 2.06 hereof.

Section 2.06 (a) Payment Procedure. All payments of the principal of and -----
interest upon the Note shall be paid by Borrower to Bank before 12:00 noon (Dallas, Texas time) in federal or other immediately available funds on the respective dates when due at Bank's principal office at 8333 Douglas Avenue, Dallas, Texas 75225, in each case to be applied in accordance with the terms of this Agreement. Funds received after 12:00 noon (Dallas, Texas time) shall be treated for all purposes as having been received by Bank on the Business Day next following the date of receipt of such funds.

(b) Order and Notice of Payments. Contemporaneously with the making of -----
any payments in respect of the Advances, the Borrower shall give the Bank telecopy notice of the amount being repaid. If no Default or Event of Default exists, all payments shall be applied to principal or interest on the Note, or to fees and other amounts payable by the Borrower hereunder, as the Borrower may direct. At any time when a Default or Event of Default exists, all payments in respect of the Obligations shall be applied first, to all costs, expenses, fees -----
and reasonable attorneys' fees incurred by, and Custodian Fees due to, Bank arising out of or in connection with this Agreement, the Note or the other Loan Documents, including, without limitation, to the extent not previously paid, all costs, expenses, fees and reasonable attorneys' fees arising out of or in

connection with the negotiation, preparation and enforcement of such documents;
second, to the payment of all expenses due and payable under Section 6.05;

third, to the payment of fees due and payable under Section 11.02 and 11.03;

fourth, to the payment of interest then due and payable under the Note; and

fifth, to the payment of principal of the Note.

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Section 2.07 Business Days. If the date for any payment hereunder falls on

a day which is not a Business Day, then for all purposes of the Note and this
Agreement such payment shall be deemed to have fallen on the next following
Business Day, and such extension of time shall be included in the computation of
payments of interest.

Section 2.08 Yield Protection. If at any time after the date hereof, and

from time to time, the Bank reasonably determines that the adoption or
modification of any applicable law, rule or regulation regarding taxation,
Bank's required levels of reserves, deposits, insurance or capital (including
any allocation of capital requirements or conditions), or similar requirements,
or any interpretation or administration thereof by any governmental authority,
central bank or comparable agency charged with the interpretation,
administration or compliance of Bank with any of such requirements, has or would
have the effect of (a) increasing Bank's costs relating to the obligation
hereunder, or (b) reducing the yield or rate of return of Bank on the obligation
hereunder, to a level below that which Bank could have achieved but for the
adoption or modification of any such requirements, the Borrower shall, within
thirty (30) days of any request by Bank, either (i) agree in writing to pay to
Bank such additional amounts as Bank reasonably determines is necessary to
maintain the yield, rate of return and/or level of Bank's costs, which Bank
would have achieved but for the above-referenced adoption or modification of
applicable law, rule or regulation or (ii) pay in full all sums owed hereunder
including all principal, interest, expenses and fees and deliver to the Bank
notification that the Bank shall have no further obligation to make Advances
hereunder and that the Bank shall have no further obligations to Borrower
hereunder. No failure by Bank to immediately demand payment of any additional
amounts payable hereunder shall constitute a waiver of Bank's right to demand
payment of such amounts at any subsequent time. Such additional amounts shall
not be charged retroactively, that is all such additional amounts shall only be
charged for that period of time following the thirty (30) day notice period
required in this paragraph. Nothing herein contained shall be construed or so
operate as to require Borrower to pay any interest, fees, costs or charges
greater than is permitted by applicable law.

ARTICLE III

COLLATERAL

Section 3.01 Collateral. To secure the payment of the Note and the

performance by Borrower of its Obligations hereunder and under the Loan
Documents, Borrower has granted to the Bank, pursuant to the Security Agreement
a first and prior security interest in and to the Collateral, and shall execute
all documents and instruments, and perform all other acts reasonably deemed
necessary by Bank, to perfect and maintain the security interest and priority of
Bank, in and to such Collateral. The Borrower hereby confirms such grant in all
respects and acknowledges and agrees that:

(a) This Agreement constitutes the "Loan Agreement" as defined in the
Security Agreement; and

(b) the Obligations (as defined herein) constitute "obligations"
secured by the security interests granted under the Security Agreement.

From time to time the Borrower may grant the Bank, a security interest in
additional collateral pursuant to this Agreement and the Security Agreement.
The Borrower hereby agrees to execute all documents and instruments, and perform
all other acts reasonably deemed necessary by Bank, to perfect the security
interest of the Bank in and to the collateral identified in the granting clause
of the Security Agreement.

Section 3.02 Delivery to Bank. Simultaneously with delivery to Bank of a

Credit Request and Collateral Schedule identifying the Mortgage Notes offered as security for the Obligations and setting forth the Collateral Value

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attributed to each such item at the time of delivery thereof, as required by Section 4.02 hereof, Borrower shall deliver to Bank the following items with

respect to the Mortgage Notes thereby offered as security:

(a) the original of each Mortgage Note referenced in such Collateral Schedule, endorsed as follows:

"Pay to the order of _____, _____.

HOMEOWNERS MORTGAGE & EQUITY, INC.,
a Delaware corporation d/b/a Home, Inc.

By: _____
Name: _____
Title: _____"

(b) the original filed copy, or a copy of the original filed copy, certified by the title company that insured title to the mortgaged property, as being true and complete, of the Mortgage relating to each Mortgage Note;

(c) an original assignment (leaving the name of the assignee blank) executed by Borrower, for each Mortgage Note and the Mortgage securing such Mortgage Note, in recordable form, and otherwise in form satisfactory to the Bank [and if the Borrower is not the named payee on the face of such Mortgage Note, copies (bearing evidence of recordation or certification by the Borrower that such intervening assignment has been sent to the appropriate Governmental Authority for recordation) of all intervening assignments of such Mortgage Note and the related Mortgage];

(d) Evidence satisfactory to Bank that all Mortgage Loans pledged as Collateral hereunder including those listed on the Collateral Schedule are Covered Mortgage Loans and no later than the Business Day following the date of the Credit Request, Borrower shall deliver to Bank a true and complete photocopy (or if requested by Bank, an original) of the executed Take-Out Commitment relating to such Mortgage Note; and

(e) a true and complete photocopy of the closing instructions executed by Borrower and the title company closing the transaction (which shall not be an Affiliate of Borrower) evidenced by such Mortgage Note, along with a copy of the title commitment, borrower's closing statement showing among other items payment of the title insurance policy premium and evidence of compliance with the Federal Truth in Lending Act and the Real Estate Settlement Procedures Act;

provided, however, that if the requested Borrowing is a Wet Advance, the items specified in Sections 3.02(a) through 3.02(e) shall be delivered by Borrower to

the Bank at the time specified in Section 2.03 (b). Borrower shall hold in

trust for the Bank, with respect to each Mortgage Note, a mortgagee policy of title insurance insuring Borrower's perfected, first-priority Lien (and in the case of a Second Lien Mortgage Loan, a second-priority lien) created by the Mortgage securing such Mortgage Note, the original insurance policies referred to in Section 6.06 hereof, if required by Appraisal Laws and Regulations, an

Appraisal complying with the Appraisal Laws and Regulations and all other original documents executed in connection with such Mortgage Note and not delivered to the Bank, and shall specifically identify such items in the Credit Request and upon request of the Bank shall immediately deliver such items to the Bank. The Bank in its reasonable discretion may reject as unsatisfactory any items so delivered and in such event such Mortgage Loans shall have a Collateral Value of zero.

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Section 3.03 Power of Attorney. Borrower hereby irrevocably appoints the

Bank its attorney in fact, with full power of substitution, for and on behalf and in the name of Borrower, to (i) endorse and deliver to any Person any check, instrument or other paper coming into the Bank's possession and representing payment made in respect of any Mortgage Note delivered hereunder as Mortgage Collateral or in respect of any other collateral or Take-Out Commitment; (ii) prepare, complete, execute, deliver and record any assignment of any Mortgage to the Bank or to any other Person; (iii) endorse and deliver any Mortgage Note delivered hereunder as Mortgage Collateral, and to do every other thing necessary or desirable to effect transfer of all or any part of the Mortgage Collateral to the Bank or to any other Person; (iv) take all necessary and appropriate action with respect to all Obligations and the Mortgage Collateral to be delivered to the Bank or held by Borrower in trust for the Bank; (v) commence, prosecute, settle, discontinue, defend, or otherwise dispose of any claim relating to any Take-Out Commitment or any part of the Mortgage Collateral; and (vi) sign Borrower's name wherever appropriate to effect the performance of this Agreement. This section shall be liberally, not restrictively, construed so as to give the greatest latitude to Bank's power, as attorney-in-fact, to collect, sell, and deliver any of the Mortgage Collateral and all other documents relating thereto. The powers and authorities herein conferred on the Bank may be exercised by the Bank through any Person who, at the time of the execution of a particular instrument, is an officer of the Bank. The power of attorney conferred by this Section 3.03 shall be effective upon the

occurrence of an Event of Default and is grounds for a valuable consideration and is coupled with an interest and irrevocable so long as the Obligations, or any part thereof, shall remain unpaid or the Commitment is outstanding. All Persons dealing with the Bank, or any officer thereof acting pursuant hereto, or any substitute, shall be fully protected in treating the powers and authorities conferred by this Section 3.03 as existing and continuing in full force and

effect until advised by the Bank that the Obligations have been fully and finally paid and satisfied and the Commitment has been terminated.

Section 3.04 Redemption of Mortgage Collateral.

(a) Generally. So long as no Default or Event of Default shall be in

existence, the Borrower may obtain the release of Bank's security interest in all or any part of the Mortgage Collateral at any time, and from time to time, by paying to the Bank as a repayment hereunder, the Collateral Value of the Mortgage Collateral to be so released and curing any Net Collateral Deficit which may be occasioned thereby in accordance with Section 2.05.

Any such release shall be evidenced by the return to Borrower of the Mortgage Note and all other Mortgage Loan documents relating to such Mortgage Note in the possession of Bank evidencing the Mortgage Collateral to be released with Bank's accompanying written acknowledgment that such Mortgage Collateral is released from the Bank's security interest.

(b) Net Collateral Surplus. In the event of the existence of a Net

Collateral Surplus and so long as no Default or Event of Default shall be in existence, Borrower may from time to time request and obtain from the Bank the release of the Bank's security interest in such of the Mortgage Collateral as constitutes a Net Collateral Surplus. Any such release shall be evidenced by the return to Borrower of the Mortgage Note and all other Mortgage Loan documents relating to such Mortgage Note in the possession of Bank evidencing the Mortgage Collateral to be released with the Bank's accompanying written acknowledgment that such Mortgage Collateral is released from the Bank's security interest.

(c) Redemption Pursuant to Sale. Borrower may from time to time sell

Mortgage Collateral pursuant to a Take-Out Commitment or otherwise. Upon the receipt by the Bank of a request from Borrower, and so long as no Default or Event of Default shall be in existence:

(i) The Bank shall deliver to the Investor (under Bank's Bailee Letter in the form attached hereto as Exhibit "E") the items of

Mortgage Collateral being sold which are held by Bank pursuant to Section 3.02 hereof, with the release of Bank's security interest in

such items being conditioned upon timely payment to Bank of the amount described in Subsection 3.04(c) (iii);

(ii) Borrower shall, as agent for the Bank, deliver to such Investor the items held by Borrower pursuant to Section 3.02 hereof;

and

(iii) Within a period of time acceptable to Bank, but in no event more than ten (10) days after the delivery by Bank to such Investor of the items of Mortgage Collateral described in Subsection

3.04(c) (i), Borrower shall cause the Investor to pay directly to the

Bank, as a repayment hereunder an amount equal to the Collateral Value of such Mortgage Collateral (such Collateral Value being determined as of the date such Mortgage Collateral was first delivered by Borrower to the Bank).

Notwithstanding the foregoing, prior to the delivery to an Investor of Mortgage Collateral as provided in Section 3.04(c) (i) Bank in its sole

discretion may require (i) receipt of an amount equal to the Collateral Value of such Mortgage Collateral, or (ii) a written agreement executed by the applicable Investor as to such matters as Bank may require relating to (A) Bank's continuing security interest in the Mortgage Collateral to be delivered, and (B) payment of the Collateral Value of such Mortgage Collateral upon delivery.

(d) Continuation of Lien. The security interest granted to the Bank in all Mortgage Collateral transmitted pursuant to Subsection 3.04(c) shall continue in effect until such time as the Bank shall have received the payment described in Subsection 3.04(c) (iii).

(e) Application of Proceeds; No Duty. Subject to the next sentence of this subsection 3.04(e), the Bank shall be under no duty at any time to credit Borrower for any amounts due from any Investor in respect of any purchase of any Mortgage Collateral contemplated under Section 3.04(c) above, until the Bank has actually received immediately available funds for such Mortgage Collateral in the amount required pursuant to Subsection 3.04(c) (iii). Any funds so received will be treated as payments under and processed and applied in accordance with Section 2.06. The Bank shall be under no duty at any time to collect any amounts or otherwise enforce any obligations due from any Investor in respect of any such purchase.

(f) Mandatory Redemption of Mortgage Collateral. Borrower shall, within three (3) Business Days after an event requiring mandatory redemption of Mortgage Collateral and the reasonable request of the Bank at any time during the term hereof, (i) pay to the Bank in immediately available funds the Collateral Value of any Mortgage Collateral designated by the Bank (except to the extent of any Net Collateral Surplus), or (ii) deliver to the Bank other Mortgage Collateral in substitution for such designated Mortgage Collateral, the Collateral Value of which substituted Mortgage Collateral is equal to or greater than the Collateral Value of the Mortgage Collateral being replaced.

Events requiring mandatory redemption of Mortgage Collateral are as follows:

(1) Within the earlier to occur of (A) the date in which the time limit provided in the applicable Take-Out Commitment with respect to any Mortgage Loan expires or (B) the date that is (I) sixty (60) days following the date of delivery to the Bank for any type of Mortgage Loan such Mortgage Loan shall not have been sold or exchanged for other Mortgage Collateral; or the issuer of such Take-Out Commitment shall decline to purchase such Mortgage Loan for any reason, including without limitation, for the reason that such Mortgage Loan was not made in compliance with applicable federal and/or state laws or regulations; or

(2) Any obligor of a Mortgage Loan shall have contested the validity of the Mortgage Loan pursuant to the Federal Truth in Lending Act, the Real Estate Settlement Procedures Act, the Equal Credit Opportunity Act, or any other federal or state law or regulation,

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or any such Mortgage Loan shall have been rescinded, or the Bank, in its sole judgment, determines that such Mortgage Loan is not in compliance with applicable federal and/or state laws or regulations;
or

(3) The obligor of any Mortgage Loan shall have failed to perform any obligation required to be performed thereunder or under the related Mortgage or any other related document, which failure shall have continued for a period of more than forty-five (45) days, or foreclosure or similar proceedings shall have been commenced and are continuing with respect to any such Mortgage Loan; or

(4) Any of the Mortgage Collateral or the property covered thereby shall become subject to any Lien (other than a Lien for taxes which are not delinquent) which is not inferior to the Lien of the Loan Documents, and such Lien shall not be discharged, or provision for such discharge satisfactory to the Bank shall not have been made, within five (5) days after written notice is sent by the Bank to Borrower, or after Borrower otherwise obtains knowledge of such Lien;
or

(5) Any Mortgage deposited as Mortgage Collateral shall not continue to be (A) a valid and enforceable first Lien (or second Lien in the case of Second Lien Mortgage Loans, Conventional Equity Recovery Loan, Conventional Home Improvement Loan, or Conventional Purchase Money Second Lien Loan) on the mortgaged property covered thereby, and in compliance with all laws applicable thereto, (B) insured in favor of Borrower and its assignees by a reputable, duly licensed title insurance company acceptable to the Bank under a policy of title insurance in the full amount of the loan related thereto, (C) in full force and effect, and (D) fully serviced by or for Borrower (including the collection of all amounts due thereon); or

(6) Any issuer of a Take-Out Commitment covering a Mortgage Loan held by or for the Bank as Mortgage Collateral hereunder shall have bankruptcy, insolvency, reorganization, liquidation, receivership, or similar proceedings or actions, including a general assignment for the benefit of creditors, instituted by or against such issuer; or

(7) Any Mortgage Loan ceases to be subject to the related Take-Out Commitment; or

(8) Any Mortgage Loan ceases to conform to the eligibility requirements published and established from time to time by FNMA, GNMA or FHLMC, as applicable, or ceases to conform to the requirements of a Take-Out Commitment acceptable to the Bank; or

(9) Any Documents required relating to any Mortgage Loan described in any Delivery Commitment Certificate shall not have been received by the Bank on or before the fifth (5th) Business Day following the date such Mortgage Loan was first counted as Mortgage Collateral hereunder.

(g) Subsequent to an Event of Default, references made to Sections 8.02

hereof and Section 5 of the Security Agreement (collectively, the "Other

Provisions") for certain rights of the Bank to dispose of the Collateral

upon the occurrence of an Event of Default. In the event of any conflict
between the Other Provisions and the provisions of this Section 3.04, the

Other Provisions shall be controlling.

Section 3.05 Correction of Mortgage Notes. Borrower may from time to time

request that the Bank transfer a Mortgage Note (the "Correction Note") that

constitutes Mortgage Collateral so that such Mortgage Note

may be corrected by the maker of such Mortgage Note. Upon receipt by the Bank of such a request from Borrower, and so long as no Default or Event of Default shall be in existence, the Bank shall deliver to the Borrower in trust, with Borrower acting as the agent and bailee of Bank, pursuant to the Borrower's "Trust Receipt and Bailee Letter" in the form attached hereto as Exhibit "F",

the Correction Note with the temporary transfer of the Note being conditioned upon the prompt return (but in no event later than fourteen (14) days from the date of delivery from Bank to Borrower) to the Bank of the Correction Note in form and content acceptable to Bank; provided, that (i) at no time shall there

be more than \$200,000.00 of Correction Notes (such value being determined by the Collateral Value assigned to such Mortgage Notes when they were delivered to the Bank by Borrower hereunder) in the possession of Borrower and (ii) in the event any Correction Note is not returned to Bank within fourteen (14) days, Borrower shall pay to Bank no later than the fourteenth (14th) day the Collateral Value attributed to such Correction Note.

Section 3.06 Concerning the Funding Account, the Settlement Account and

the Operating Account. The Borrower hereby expressly acknowledges that the

Funding Account, the Settlement Account and the Operating Account are subject in all respects to the right of offset in favor of the Bank granted under Section

11.12. Further, it is expressly agreed that:

(a) the Funding Account shall be subject to the sole dominion and control of the Bank who shall disburse amounts from time to time on deposit therein in accordance with the terms of Section 6.11 of this Agreement;

(b) the Settlement Account shall be subject to the sole dominion and control of the Bank who shall disburse amounts from time to time on deposit therein in accordance with the terms of this Agreement;

(c) subject to the right of offset in favor of the Bank, the Operating Account shall be subject to the sole dominion and control of the Borrower;

(d) nothing other than proceeds of Borrowings shall be deposited in the Funding Account;

(e) the Settlement Account shall only be used for (i) proceeds from the sale or other disposition of Collateral and (ii) the payment of the Obligations;

(f) proceeds of Advances, other than in respect of Wet Advances, shall be disbursed by the Bank from the Funding Account to the Operating Account for use by the Borrower in accordance with the terms of Section 6.10 of this Agreement;

(g) proceeds of Borrowings in respect of Wet Advances shall either be wired directly from the Funding Account to such title company as the Borrower may identify or be disbursed pursuant to checks drawn on the Funding Account; and

(h) proceeds from the redemption of Mortgage Collateral shall be deposited in the Settlement Account.

Section 3.07 Representations and Warranties Regarding Mortgage Notes.

Effective with the delivery of the Credit Request on which such Mortgage Note is identified, the Borrower represents and warrants to Bank with respect to each Mortgage Note that:

(a) The Borrower (and, if the Borrower did not originate the loan evidenced by such Mortgage Note, the originator of such loan) complied, and the Mortgage Collateral comply, in all material respects with all applicable Requirements of Law, including, without limitation, (i) any usury laws, (ii) the Real Estate Settlement Procedures Act of 1974, as amended, (iii) the Equal Credit Opportunity Act, as amended, (iv) the Federal Truth

in Lending Act, as amended, (v) Regulation Z of the Board of Governors of the Federal Reserve System, as amended, and (vi) any consumer protection laws;

(b) the full Face Amount of such Mortgage Note (less any discount points paid by or on behalf of the borrower under such Mortgage Note) was funded to the borrower thereunder and any such discount points paid were normal and customary;

(c) such Mortgage Note is "covered," within the meaning of Section 6.19,

by a Take-Out Commitment and was underwritten in compliance with the requirements of the Investor under such Take-Out Commitment;

(d) the Mortgage related to such Mortgage Note creates a perfected first-priority Lien (or second-priority Lien in the case of Second Lien Mortgage Loan, Conventional Equity Recovery Loan, Conventional Home Improvement Loan, or Conventional Purchase Money Second Lien Loan) on residential real property consisting of land and a one-to-four family dwelling thereon which is completed and ready for occupancy and such Mortgage, the title policy relevant thereto and the other Mortgage documents relevant thereto comply in all respects with the requirements of the Investor under the Take-Out Commitment by which such Mortgage Note is "covered";

(e) the Mortgage Loan qualifies under the definition of Mortgage Loan; and

(f) the Borrower has all requisite power and authority to grant the Bank a security interest in such Mortgage Loan.

In the event that any of the representations and warranties contained in Sections 3.07(a), (c) and (d) is at any time incorrect, with respect to such

Mortgage Note(s) which causes such representation and warranty to be incorrect, Borrower shall within three (3) Business Days after the request of the Bank pay to the Bank in immediately available funds the Collateral Value of such Mortgage Collateral designated by the Bank at which time such Mortgage Collateral will be returned by Bank to Borrower and shall be considered redeemed Collateral. After the expiration of such three (3) day period without the required payment by Borrower, such failure by Borrower to make such payment shall result in an Event of Default under Section 8.01(b) hereof. With respect to a misrepresentation

and breach of warranty under Section 3.07(b), such misrepresentation shall be an

Event of Default under Section 8.01(b) hereof without any notice and opportunity

to cure period.

Section 3.08 Borrower Appointed Agent. The Bank hereby appoints the

Borrower (and, in the case of any loan evidenced by a Mortgage Note originated by a Person other than the Borrower, also appoints such other Person) as its agent for purposes of (a) obtaining Appraisals with respect to the property covered by the Mortgages which relate to the Mortgage Notes and (b) complying with Appraisal Laws and Regulations.

ARTICLE IV

CONDITIONS PRECEDENT

The obligation of the Bank to make Advances hereunder is subject to fulfillment of the conditions precedent stated in this Article IV.

Section 4.01 Initial Advance. The obligation of Bank to make the initial

Advance hereunder shall be subject to, in addition to the conditions precedent specified in Section 4.02 hereof, delivery to the Bank of the following (each of

the following documents being duly executed and delivered and in form and substance satisfactory to the Bank):

(a) executed counterparts of this Agreement and of all instruments, certificates and opinions referred to in this Article IV not theretofore

delivered;

(b) the Note;

(c) a Security Agreement and Financing Statement, in form and substance acceptable to the Bank, granting to the Bank a perfected, first priority security interest in all Collateral required to be pledged to the Bank;

(d) an Omnibus Certificate (herein so called) of the Secretary or Assistant Secretary of Borrower containing (i) resolutions of Borrower's board of directors authorizing the execution and performance of the Note, this Agreement and any Loan Documents provided herein and identifying the officers of Borrower authorized to sign such instruments, (ii) specimen signatures of the officers so authorized and (iii) a copy, certified as true by the Secretary or Assistant Secretary of Borrower, of the articles or certificate of incorporation and the bylaws of Borrower, together with all amendments thereto;

(e) [INTENTIONALLY DELETED.];

(f) such other documents and submissions as Bank may reasonably request at any time at or prior to the date of the initial Advance hereunder;

(g) the Commitment Fees referred to in Section 11.02; and

(h) the Custodian Fees referred to in Section 11.03."

Section 4.02 All Borrowings. The obligation of the Bank to make any

Advance and to fund any Borrowing pursuant to this Agreement is subject to the following further conditions precedent:

(a) (i) prior to 9:00 p.m. (Dallas, Texas time) on the Business Day prior to the Borrowing Date, Borrower shall give to the Bank telephonic or telecopy notice of the amount of such Borrowing and (ii) prior to 10:30 a.m. (Dallas, Texas time) on each Borrowing Date, Bank shall have received from the Borrower via telecopy or Federal Express an executed Credit Request;

(b) along with each Credit Request, Borrower shall telecopy or Federal Express for receipt prior to the deadline stated in Section

4.02(a)(ii) to the Bank a Collateral Schedule, identifying the Mortgage

Notes offered pursuant to such Credit Request as security for the
Obligations;

(c) prior to the deadlines stated in Section 2.03(b)(i), Borrower

shall deliver to the possession of the Bank (i) all of the items required to be delivered to the Bank by Section 2.03(b)(i) if the Credit Request is

for a Wet Advance, or (ii) all the items required to be delivered to the Bank by Section 3.02 if the Credit Request is for a Dry Advance;

(d) the representations and warranties of Borrower contained in this Agreement or any Loan Document (other than those representations and warranties which are by their terms limited to the date of the agreement in which they are initially made) shall be true and correct in all material respects on and as of the date of such Advance;

(e) no Default or Event of Default shall have occurred and be continuing as of the date of such Advance;

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(f) no circumstance or event, as determined by the Bank in its reasonable discretion, having a Material Adverse Effect shall have occurred and be continuing;

(g) the Funding Account, the Settlement Account and the Operating Account shall be established and in existence;

(h) if the Credit Request is with respect to a Wet Advance, the requirements of Section 2.03(b) shall be satisfied; and

(i) no Net Collateral Deficit shall exist.

Each Credit Request shall be deemed to constitute a representation and warranty by Borrower on the date of the requested Advance as to the facts specified in Sections 4.02(d), (e) and (f).
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ARTICLE V

REPRESENTATIONS AND WARRANTIES

In order to induce the Bank to enter into this Agreement, and to make Advances to Borrower, Borrower represents and warrants to the Bank that:

Section 5.01 Organization and Good Standing. Borrower is a corporation

duly incorporated and existing in good standing under the laws of the jurisdiction of its incorporation, is duly qualified as a foreign corporation and in good standing in all jurisdictions in which it conducts business and has the corporate power and authority to own its properties and assets and to transact the business in which it is engaged and is or will be qualified in those states wherein it proposes to transact business in the future.

Section 5.02 Authorization and Power. Borrower has the corporate power and

requisite authority to execute, deliver and perform this Agreement, the Note and the Loan Documents to be executed by it; Borrower is duly authorized to, and has taken all corporate action necessary to authorize it to, execute, deliver and perform this Agreement, the Note and the Loan Documents to be executed by it and is and will continue to be duly authorized to perform this Agreement, the Note and such Loan Documents.

Section 5.03 No Conflicts or Consents. Neither the execution and delivery

of this Agreement, the Note or the Loan Documents, nor the consummation of any of the transactions herein or therein contemplated, nor compliance with the terms and provisions hereof or with the terms and provisions thereof, will materially contravene or conflict with any provision of law, statute or regulation to which Borrower is subject or any judgment, license, order or permit applicable to Borrower, or any indenture, mortgage, deed of trust, or other agreement or instrument to which Borrower is a party or by which Borrower may be bound, or to which Borrower may be subject, or violate any provision of the Articles of Incorporation or Bylaws of Borrower.

Section 5.04 Enforceable Obligations. This Agreement, the Note and the Loan

Documents are the legal, valid and binding obligations of Borrower, enforceable in accordance with their respective terms.

Section 5.05 Priority of Liens. The Bank has a valid, enforceable,

perfected, first priority Lien and security interest in each Mortgage Note heretofore delivered to the Bank by the Borrower and upon delivery to the Bank of each Credit Request, the Bank shall have a valid, enforceable, perfected, first priority Lien and Security Interest in each Mortgage Note identified therein or delivered therewith. The Bank has a valid, enforceable,

perfected and first priority Lien and Security Interest in the Borrower's interest in each Take-Out Commitment relating to the Mortgage Collateral except to the extent disclosed in a written notice by Borrower to Bank.

Section 5.06 No Liens. All the Mortgage Collateral is free and clear of

all Liens and other adverse claims of any nature, other than the Liens of Bank, and Borrower has good and indefeasible title to such Mortgage Collateral.

Section 5.07 Financial Condition. Borrower has delivered to the Bank

copies of the balance sheets of Borrower dated March 31, 1996 and the related

statements of income, stockholders' equity and changes in financial position for the year ended such date; such financial statements fairly present the financial condition of Borrower as of such date and have been prepared in accordance with GAAP, subject to normal year-end adjustments; as of the date thereof, there were no obligations, liabilities or Indebtedness (including material contingent and indirect liabilities and obligations or unusual forward or long-term commitments) of Borrower which are not reflected in such financial statements; no change having a Material Adverse Effect has occurred since the date of such financial statements.

Section 5.08 Full Disclosure. There is no material fact that Borrower have

not disclosed to the Bank which could adversely affect the properties, business, prospects or condition (financial or otherwise) of Borrower or could adversely affect the Mortgage Collateral. Neither the financial statements referred to in Section 5.07 hereof, nor any certificate or statement delivered herewith or

heretofore by Borrower to the Bank in connection with negotiation of this Agreement, contains any untrue statement of material fact.

Section 5.09 Material Agreements. Borrower is not in default (and no event

exists which with notice or the passage of time could become a default) under any loan agreement, mortgage, security agreement or other material agreement or obligation to which it is a party or by which any of its properties is bound including but not limited to the Loan Documents.

Section 5.10 No Litigation. There are no actions, suits or legal,

equitable, arbitration or administrative proceedings pending, or to the knowledge of Borrower threatened, against Borrower, which either individually or in the aggregate would have a Material Adverse Effect.

Section 5.11 Taxes. All tax returns required to be filed by the Borrower

in any jurisdiction have been filed and all taxes, assessments, fees and other governmental charges upon Borrower or upon any of its properties, income or franchises have been paid prior to the time that such taxes could give rise to a Lien thereon, unless protested in good faith by appropriate proceedings and with respect to which reserves in conformity with GAAP have been established on the books of Borrower. The Borrower has no knowledge of any proposed tax assessment against Borrower.

Section 5.12 Principal Office, etc., Taxpayer Identification Number. The

principal office, chief executive office and principal place of business of Borrower is at 6836 Austin Center Blvd., Suite 280, Austin, Texas 78731. Borrower's mailing address is 6836 Austin Center Blvd., Suite 280, Austin, Texas 78731. Borrower's taxpayer identification number is 74-2674353.

Section 5.13 Employee Benefit Plans.

(a) Neither Borrower nor any Subsidiary of Borrower, nor any of their respective ERISA Affiliates, nor any Plan, is in material violation of any provision of ERISA or any other applicable state or federal law, including the Code.

(b) No Prohibited Transaction or Reportable Event has occurred with respect to any Plan.

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(c) No notice of intent to terminate a Plan has been filed within the 24-month period preceding the date hereof, nor has any Plan been terminated under Section 4041(c) of ERISA.

(d) The PBGC has not instituted proceedings to terminate, or appoint a trustee to administer, any Plan and no event or condition has occurred or exists which might constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan.

(e) Neither Borrower nor any Subsidiary of Borrower, nor any of their respective ERISA Affiliates has incurred or expects to incur any withdrawal liability to any multiemployer plan within the meaning of Section 4001(a)(3) of ERISA.

(f) Each Plan meets the minimum funding requirements of Section 412

of the Code and no waiver from such minimum funding requirements has been applied for or approved pursuant to Section 412(d) of the Code.

(g) No fact exists that could result in any material liability other than as disclosed on Borrower's financial statements) to Borrower relating to any former Plan.

(h) No amendment to any Plan has been adopted such that security is required to be given pursuant to Section 401(a)(29) of the Code, and no lien exists under Section 412(n) of the Code with respect to any Plan.

(i) With respect to each Plan, the value of unfunded benefit liabilities (within the meaning of Section 4001(a)(18) of ERISA) does not exceed \$50,000.

(j) Neither the Borrower nor any Subsidiary of Borrower maintains any plan, arrangement, or commitment which provides medical or dental benefits to an employee or the employee's dependents after the employee terminates employment, other than as provided in the continuation coverage provisions of the Code and ERISA.

Section 5.14 Ownership. HomeCapital Investment Corporation owns,

beneficially and of record, 100% of the issued and outstanding shares of each class of the stock of Borrower.

Section 5.15 Subsidiaries. As of the date hereof, Borrower has no

subsidiaries. As of the date hereof, Borrower does not own, directly or indirectly, any interest in any Person.

Section 5.16 Indebtedness. As of the date hereof, Borrower has no

Indebtedness outstanding other than the Note and the Indebtedness listed on Exhibit "G".

Section 5.17 Permits, Patents, Trademarks, etc.

(a) Borrower has all permits and licenses necessary for the operation of its business, except where the failure to have such permits or licenses does not have a Material Adverse Effect upon the operation of its business.

(b) Borrower owns or possesses (or is licensed or otherwise has the necessary right to use) all patents, trademarks, service marks, trade names and copyrights, technology, know-how and processes, and all rights with respect to the foregoing, which are necessary for the operation of its business, without any known material conflict with the rights of others. The consummation of the transactions contemplated hereby will not alter or impair in any material respect any of such rights of Borrower.

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Section 5.18 Status Under Certain Federal Statutes. Borrower is not (a) a

"holding company" or a "subsidiary company" of a "holding company" or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company", as such terms are defined in the Public Utility Holding Company Act of 1935, as amended, (b) a "public utility", as such term is defined in the Federal Power Act, as amended, (c) an "investment company", or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1949, as amended, or (d) a "rail carrier", or a "person controlled by or affiliated with a rail carrier", within the meaning of Title 49, U.S.C., and Borrower is not a "carrier" to which 49 U.S.C. (S) 11301(b)(1) is applicable.

Section 5.19 Securities Acts and Securities Credit Transaction Regulations.

The Borrower has not issued any unregistered securities in violation of the Securities Act of 1933, as amended, or of any other Requirement of Law, and is not violating any rule, regulation, or requirement under the Securities Act of 1933, as amended, or the Securities and Exchange Act of 1934, as amended. The Borrower is not required to qualify an indenture under the Trust Indenture Act of 1939, as amended, in connection with its execution and delivery of the Note. The Borrower is not a party, whether as a customer or a creditor, to any transaction that is subject to the Securities Credit Transaction Regulations.

Section 5.20 No Approvals Required. Other than consents and approvals

previously obtained and actions previously taken, neither the execution and delivery of this Agreement, the Note and the Loan Documents, nor the consummation of any of the transactions contemplated hereby or thereby requires the consent or approval of, the giving of notice to, or the registration, recording or filing by Borrower of any document with, or the taking of any other action in respect of, any Person.

Section 5.21 No Insider. Neither the Borrower nor any Person having

"control" (as defined in 12 U.S.C. (S)375(b)(9) and the regulations promulgated pursuant thereto) of the Borrower is, an "executive officer," "director," or "principal shareholder" (as such terms are defined in 12 U.S.C. (S)375(b)(9) and the regulations promulgated pursuant thereto) of any Bank, of any bank holding company of which any Bank is a Subsidiary, or of any Subsidiary of any bank holding company of which any Bank is a Subsidiary.

Section 5.22 Governmental Requirements. Borrower is in compliance with all

Governmental Requirements, the non-compliance of which would have a Material Adverse Effect.

Section 5.23 Eligibility. Borrower is an eligible FHA mortgagee, FNMA

seller/servicer, GNMA servicer, FHLMC servicer, is approved by GNMA as an issuer of GNMA Securities, by FNMA to be a lender with regard to FNMA Securities, by FHLMC to be a seller with regard to FHLMC Securities, and is eligible as a lender under the VA loan guaranty program.

Section 5.24 Solvency. Borrower is not "insolvent" on the date hereof

(that is, the sum of Borrower's absolute and contingent liabilities, including Borrower's obligations to the Bank, does not exceed the fair market value of Borrower's assets). Borrower's capital is adequate for the businesses in which Borrower is engaged and intends to be engaged. Borrower has not hereby incurred, nor does Borrower intend to incur or believe that it will incur, debts which will be beyond its ability to pay as such debts mature.

Section 5.25 Environmental Laws. (i) the Related Persons are conducting

their businesses in material compliance with all applicable federal, state or local laws, including without limitation those pertaining to environmental matters; (ii) none of the operations of any Related Person is the subject of federal, state or local investigation evaluating whether any material remedial action is needed to respond to a release of any hazardous or toxic waste, substance or constituent into the environment; (iii) no Related Person (and to the best knowledge of Borrower, no other Person) has filed any notice under any federal, state or local law indicating that any Related Person is responsible for the release into the environment, or the improper storage, of any material amount of any hazardous or toxic waste, substance or constituent or that any such waste, substance or constituent has been

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released, or is improperly stored, upon any property of any Related Person; (iv) no Related Person otherwise has any known material contingent liability in connection with the release into the environment, or the improper storage, of any such waste, substance or constituent; and (v) to Borrower's knowledge, no Property securing a Mortgage Loan contains any hazardous material and complies with all applicable environmental laws.

Section 5.26. Use of Proceeds, Margin Stock. Borrower is in compliance

with Section 6.10.

Section 5.27. Take-Out Commitments. Borrower represents and warrants to

Bank that all Mortgage Loans submitted to Bank as Collateral are and shall be covered by Take-Out Commitments and Borrower has sufficient Take-Out Commitments to cover each and every Mortgage Loan serving as Collateral hereunder.

Section 5.28 Assumed Names. Since the date which is five (5) years prior

to the date hereof, the Borrower has not engaged in any business under any name, assumed name or trade name other than HomeOwners Mortgage & Equity, Inc., a Delaware corporation d/b/a Home, Inc.

Section 5.30. Survival of Representations. All representations and

warranties by Borrower herein (other than representations and warranties which by their terms are limited to the time initially made) shall survive delivery of the Note and the making of the Advances, and any investigation at any time made by the Bank shall not diminish the right of the Bank to rely thereon.

ARTICLE VI

AFFIRMATIVE COVENANTS

Borrower shall at all times comply with the covenants contained in this Article VI from the date hereof and for so long as any part of the Obligations or the Commitment of the Bank is outstanding.

Section 6.01 Financial Statements and Reports. Borrower shall furnish to Bank the following, all in form and detail reasonably satisfactory to Bank, prepared in accordance with GAAP and with a Certificate Accompanying Financial Statements in the form of Exhibit "H" attached;

(a) As soon as available and in any event within one hundred twenty (120) days after the close of each fiscal year of Borrower, copies of the consolidated and consolidating balance sheet of Borrower as of the close of such fiscal year and consolidated statements of income and retained earnings, cash flow statements and changes in stockholders' equity for such fiscal year, each setting forth in comparative form the corresponding figures for the preceding fiscal year, all in reasonable detail together with all notes thereto and accompanied by an opinion thereon (which shall not be qualified by reason of any limitation imposed by Borrower) by Coopers & Lybrand LLP or by independent certified public accountants selected by Borrower and satisfactory to Bank, to the effect that such financial statements have been prepared in accordance with GAAP and such other professional practices as may then conform to the usual and customary professional standards, practices and disclosures then in existence in connection with the preparation and publication of financial statements by independent certified public accountants and that the examination of such accounts in connection with such financial statements has been made in accordance with GAAP and, accordingly, includes such tests of the accounting records and such other auditing procedures as were considered necessary in the circumstances;

(b) As soon as available, and in any event within thirty (30) days after the end of each month of each fiscal year of Borrower, copies of the consolidated and consolidating balance sheet of Borrower as of the end of such month and consolidated and consolidating statements of income and retained earnings and cash flow statement and of changes in stockholders' equity for such month, each setting forth in

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comparative form the corresponding figures for the preceding fiscal year of Borrower for such month and for the portion of the fiscal year ending with such month, all in reasonable detail, and certified by the chief financial officer of Borrower as being true and correct and as having been prepared in accordance with GAAP;

(c) Promptly upon receipt thereof, a copy of each other report submitted to Borrower by independent accountants in connection with any annual, interim or special audit of the books of Borrower;

(d) As soon as available and in any event within thirty (30) days after the end of each month in form and detail acceptable to Bank, prepared as of the end of such month, a report setting forth (i) a commitment position/contingent liability report indicating investor, type, original principal amount, amounts funded and unfunded, rate, price and yield, expiration dates, futures contracts, hedged positions, profit and loss and repurchase agreements; (ii) a pipeline position report indicating the rate, amount and price of Mortgage Loans in Borrower's "pipeline" and profit, loss and exposure; (iii) a servicing delinquency report indicating, by investor, the amount of Mortgage Loans serviced by Borrower which are delinquent or in foreclosure with a breakdown (30, 60, 90, 120 days) for all past-due loans including total principal balance, number of loans, which loans Borrower is required to repurchase by an Agency or Investor,

foreclosure experience, investor type, geographic mix, weighted average coupon, weighted average maturity and cost of servicing and (iv) a production report;

(e) As soon as available and in any event within thirty (30) days after delivery of such reports to any Agency, HUD, FHA or VA, Borrower shall provide to Bank all audits, evidence, auditors certifications and other financial information supplied to such governmental or quasi-governmental agencies, including but not limited to, any audits or self-compliance reviews prepared in connection with Borrower's continuing agency certifications;

(f) Promptly and in any event within twenty (20) days after the request of Bank at any time and from time to time, a certificate, executed by the president or chief financial officer of Borrower, setting forth all of Borrower's borrowings other than under this Loan;

(g) As soon as available and in any event within thirty (30) days of filing and no later than two hundred twenty-five (225) days from the end of each fiscal year of Borrower, copies of all tax returns filed by Borrower;

(h) Within thirty (30) days after the end of each month, a Compliance Certificate executed by the President or Chief Executive Officer of Borrower;

(i) As soon as available and in any event within fifteen (15) days of their respective Securities and Exchange Commission filing due dates, the 10(K) and 10(Q) reports for HomeCapital Investment Corporation, the parent corporation of Borrower;

(j) Promptly and in any event within five (5) days of such event, notification of the departure of any of the following officers: President or Executive Vice President; and

(k) Such other information, reports and loan package supporting documentation concerning the Mortgage Loans, business, properties or financial condition of Borrower or any Investor (in the possession or under the control of Borrower and Borrower shall make such requests for additional information as reasonably required by Bank), or originals or copies of Take-Out Commitments as Bank may reasonably request. Upon two Business Days notice to Borrower, Bank shall have the right to inspect the books, records and procedures of Borrower at any reasonable time at any of the Properties of Borrower, take copies and extracts from, and inspect and discuss the procedures, affairs, finances and accounts of

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Borrower with Borrower's officers, accountants and auditors, all at such reasonable times and as often as the Bank may desire. Borrower shall furnish such reports and Mortgage Loan package supporting documentation as the Bank shall reasonably request. Borrower shall permit and shall use all reasonable efforts to cause each Person from whom it purchases Mortgage Loans to permit any officer, employee or agent of Bank to visit and inspect the properties of Borrower and such Person relevant to such compliance, to take copies and extracts therefrom, and to discuss Appraisals relevant to the Mortgage Loans from time to time pledged to the Bank with the responsible officers, employees and agents (including any third party appraisers) of the Borrower and such Person, all at such reasonable times and as often as the Bank may desire.

Section 6.02 Taxes and Other Liens. Borrower shall pay and discharge

promptly all taxes, assessments and governmental charges or levies imposed upon it or upon its income or upon any of its Property as well as all claims of any kind (including claims for labor, materials, supplies and rent) which, if unpaid, might become a Lien upon any or all of its Property; provided, however, Borrower shall not be required to pay any such tax, assessment, charge, levy or claim if the amount, applicability or validity thereof shall currently be contested in good faith by appropriate proceedings diligently conducted by or on behalf of Borrower and if Borrower shall have established reserves therefor adequate under GAAP.

Section 6.03 Maintenance. Borrower shall (i) maintain its corporate

existence, rights and franchises, (ii) observe and comply in all material respects with all Governmental Requirements, and (iii) maintain its Properties (and any Properties leased by or consigned to it or held under title retention or conditional sales contracts) in good and workable condition at all times and

make all repairs, replacements, additions, betterments and improvements to its Properties as are reasonable and proper so that the business carried on in conjunction therewith may be conducted properly and efficiently at all times.

Section 6.04 Further Assurances. Borrower shall, within three (3) Business

Days of Bank's request, cure any defects in the execution and delivery of the Note, this Agreement and the Loan Documents and Borrower shall, at its expense, promptly execute and deliver to Bank upon request all such other and further documents, agreements and instruments in compliance with or accomplishment of the covenants and agreements of Borrower in this Agreement and in the Loan Documents or to further evidence and more fully describe the collateral intended as security for the Note, or to correct any omissions in the Loan Documents, or more fully to state the security obligations set out herein or in any of the Loan Documents, or to perfect, protect or preserve any Liens created (or intended to be created) pursuant to any of the Loan Documents, or to make any recordings, to file any notices, or obtain any consents.

Section 6.05 Reimbursement of Expenses. Borrower shall pay (i) all

reasonable legal fees incurred by the Bank in connection with the preparation, negotiation or execution of this Agreement, the Note and the Loan Documents and any amendments, modifications, renewals, extensions, consents or waivers executed in connection therewith, (ii) all fees, charges or taxes for the recording or filing of the Loan Documents, (iii) all out-of-pocket expenses of the Bank incurred in connection with the administration of this Agreement, the Note and the Loan Documents, including courier expenses incurred in connection with the Mortgage Collateral, and (iv) all reasonable amounts expended, advanced or incurred by the Bank to satisfy any obligation of Borrower under this Agreement or any Loan Document or to collect the Note, or to enforce the rights of the Bank under this Agreement or any Loan Document, which amounts shall include all court costs, attorneys' fees and expenses (including, without limitation, legal fees and expenses for trial, appeal or other proceedings), fees of auditors and accountants, and investigation expenses reasonably incurred by the Bank in connection with any such matters, together with interest at the post-maturity rate specified in the Note on each such amount from ten (10) days after the date of written demand or request for reimbursement until the date of reimbursement.

Section 6.06 Insurance. Borrower shall maintain with financially sound and

reputable insurers, insurance with respect to its Properties and business against such liabilities, casualties, risks and contingencies and in such

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types and amounts as is customary in the case of Persons engaged in the same or similar businesses and similarly situated, including, without limitation, a fidelity bond or bonds in form and with coverage and with a company satisfactory to the Agencies and with respect to such individuals or groups of individuals as the Agencies may designate, and in no event shall such insurance coverage (with respect to types of insurance coverage and levels of insurance coverage) be less than those required by any Agency, Investor or governmental or quasi-governmental authority for financial institutions engaging in the origination and servicing of Mortgages. Upon request of the Bank, Borrower shall furnish or cause to be furnished to the Bank from time to time a summary of the insurance coverage of Borrower and if requested shall furnish the Bank copies of the applicable policies.

Section 6.07 Accounts and Records. Borrower shall keep books of record and

account in which full, true and correct entries will be made of all dealings or transactions in relation to its business and activities, in accordance with GAAP. Borrower shall maintain and implement administrative and operating procedures (including, without limitation, an ability to recreate all records pertaining to the performance of Borrower's obligations under the Servicing Agreements in the event of the destruction of the originals of such records) and keep and maintain all documents, books, records, computer tapes and other information reasonably necessary or advisable for the performance by Borrower of its obligations under the Servicing Agreements.

Section 6.08 Notice of Certain Events. Borrower shall promptly notify the

Bank upon (i) the receipt of any notice from, or the taking of any other action by, the holder of any promissory note, debenture or other evidence of Indebtedness of Borrower with respect to a claimed default, together with a detailed statement by a responsible officer of Borrower specifying the notice given or other action taken by such holder and the nature of the claimed default

and what action Borrower is taking or proposes to take with respect thereto; (ii) the commencement of, or any determination in, any legal, judicial or regulatory proceedings to which Borrower is a party or relating to or affecting the Collateral or any part thereof or the security interests granted herein or in the Security Agreement; (iii) any dispute between Borrower and any governmental or regulatory body; (iv) any material adverse change in the business, operations, prospects or financial condition of Borrower or any Affiliate of Borrower, provided that in the case of an Affiliate of Borrower, Borrower shall be required to give such notice to Bank only if Borrower has knowledge of such material adverse change; or (v) any event or condition which could result in a Material Adverse Effect.

Section 6.09 Performance of Certain Obligations. Borrower shall perform

and observe in all respects each of the provisions of each Take-Out Commitment and will cause all things to be done which are necessary to have each Mortgage Loan which constitutes Mortgage Collateral covered by a Take-Out Commitment comply with the requirements of such Take-Out Commitment.

Section 6.10 Use of Proceeds; Margin Stock. The proceeds of the Advances

shall be used by Borrower solely for the funding of Mortgage Notes in the ordinary course of business, for the payment of costs incurred by Borrower directly relating to the funding of such Mortgage Notes including commissions paid to non-Affiliates and for general working capital purposes. In no event shall the funds from any Advance be used directly or indirectly by any Person for personal, family, household or agricultural purposes or for the purpose of purchasing or carrying any "margin stock" as defined in Regulation U, or for the purpose of reducing or retiring any Indebtedness which was originally incurred to purchase or carry margin stock or for any other purpose which might constitute this transaction a "purpose credit" within the meaning of such Regulation U or of Regulation G of the Board of Governors of the Federal Reserve System (12 C.F.R. 207, as amended) or otherwise take or permit to be taken any action which would involve a violation of such Regulation G or Regulation U or Regulation T (12 C.F.R. 220, as amended) or Regulation Z (12 C.F.R. 224, as amended) or any other regulation of such board. Neither Borrower nor any Person acting on behalf of Borrower shall take any action in violation of Regulation U or Regulation X or shall violate Section 7 of the Securities Exchange Act of 1933 or any rule or regulation thereunder, in each case as now in effect or as the same may hereinafter be in effect or engage in any transaction which is subject to the Securities Credit Transaction Regulations.

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Section 6.11 Notice of Default. Borrower shall furnish to the Bank

immediately upon becoming aware of the existence of any Default or Event of Default, a written notice specifying the nature and period of existence thereof and the action which Borrower is taking or proposes to take with respect thereto.

Section 6.12 Compliance with Loan Documents. Borrower shall promptly

comply with any and all covenants and provisions of this Agreement, the Note and the Loan Documents. All representations and warranties, except those which by their terms are limited to the time initially made, contained in the Loan Documents shall continue to be true and correct in all respects.

Section 6.13 Compliance with Material Agreements. Borrower shall comply in

all material respects with all material agreements, indentures, mortgages or documents binding on it or affecting its properties or business.

Section 6.14 Operations and Properties. Borrower shall act prudently and

in accordance with customary industry standards in managing and operating its Property.

Section 6.15 ERISA and Plans. Borrower shall promptly furnish to the Bank:

(a) Within ten (10) Business Days after the occurrence of a Reportable Event with respect to any Plan, a copy of any materials required to be filed with the PBGC with respect to such Reportable Event;

(b) A copy of any notice of intent to terminate a Plan, no later than the date such notice is required to be provided to participants of such Plan under Section 4041(a)(2) of ERISA, and copies of any notices of

noncompliance received from the PBGC under Section 4041(b)(2)(C) of ERISA, within ten (10) Business Days after the receipt by Borrower or its Subsidiary of such notice;

(c) Not later than ten (10) Business Days after the receipt thereof by Borrower, any Subsidiary of Borrower, any ERISA Affiliate of Borrower or such Subsidiary, or the administrator of any Plan, a copy of any notice to Borrower or such Subsidiary that the PBGC has instituted proceedings to terminate such Plan or to appoint a trustee to administer such Plan;

(d) A statement from the chief financial officer of Borrower describing any event or condition which might constitute grounds under Section 4042 of ERISA for the termination of any Plan or for the appointment of a trustee to administer any Plan, within ten (10) Business Days after Borrower knows or has reason to know such event or condition exists; and

(e) Within ten (10) Business Days after receipt thereof by Borrower or any ERISA Affiliate of Borrower, a copy of any notice concerning the imposition of any withdrawal liability under Section 4202 of ERISA.

Section 6.16 Maintenance of Collateral. Borrower will keep and maintain

at all times each Mortgage securing the Mortgage Notes constituting Mortgage Collateral or other instruments or documents evidencing Mortgage Collateral held by or for Bank (i) as a valid and enforceable lien on the mortgaged property covered thereby, enforceable and in compliance with all laws applicable thereto; (ii) insured in favor of Borrower and its assignees by a reputable, duly licensed title insurance company (which is not an Affiliate of Borrower), under a mortgagee policy of title insurance in the full amount of the loan related thereto; and (iii) in full force and effect, without any default. The improvements on the land covered by each Mortgage relating to a Mortgage Note constituting Mortgage Collateral shall be kept continuously insured at all times by reasonable insurance companies against fire and extended coverage hazards under policies, binders, letters, or certificates of insurance, with a standard mortgagee clause in favor of Borrower and its assigns. Borrower shall, and does hereby, assign all such insurance to the Bank only so long as the related Mortgage Note shall constitute Mortgage Collateral. Each such

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policy must be in an amount equal to the lesser of the maximum insurable value of the improvements or the original principal amount of the Mortgage, without reduction by reason of any co-insurance, reduced rate contribution, or similar clause of the policies or binders.

Section 6.17 Servicing of Collateral. Borrower shall (i) service or cause

to be serviced for Bank all Mortgage Loans constituting Mortgage Collateral hereunder and use its best efforts to effect collection of all amounts payable thereunder as they become due; (ii) comply in all material respects with all provisions of contracts relating to the servicing of such Mortgage Loans or other mortgage servicing contracts to which Borrower is a party; and (iii) upon the occurrence of an Event of Default and pursuant to the request of the Bank, notify each obligor of such Mortgage Loan of the assignment thereof to the Bank pursuant hereto, including in the notice instructions that such obligor shall thereafter make all payments to Borrower as trustee for the Bank until further notice, or directly to the Bank if the Bank shall request the same.

Section 6.18. Take-Out Commitments. The Borrower shall enter into and

maintain Agency Commitments and Take-Out Commitments sufficient at all times to cover each Mortgage Loan constituting Mortgage Collateral hereunder. Upon the request of the Bank, Borrower will provide evidence satisfactory to the Bank that (i) Borrower is in compliance with the requirements of each Take-Out Commitment and will adhere to the procedures provided in such Take-Out Commitment; (ii) Borrower will give notice of Bank's security interest in each Mortgage Loan to the Investor under the Take-Out Commitment therefor and that such notice will be given in compliance with the requirements hereof and of such Take-Out Commitment; (iii) each Mortgage Loan can and will be assigned to the purchaser under the Take-Out Commitment therefor; and (iv) the Bank, in the event of such assignment, will receive the full purchase price for the Mortgage Loans.

Section 6.19 Compliance with Agreements and Law. Each Related Person will

perform all material obligations it is required to perform under the terms of each indenture, mortgage, deed of trust, security agreement, lease, franchise,

agreement, contract or other instrument or obligation to which it is a party or by which it or any of its properties is bound. Each Related Person will conduct its business and affairs in compliance with all laws, regulations, and orders applicable thereto (including those relating to pollution and other environmental matters), including, but not limited to, all applicable HUD, FHA, VA, FNMA, FHLMC and GNMA regulatory requirements.

Section 6.20 Maintenance of Qualifications. Borrower will not commit or

suffer to be committed any act which would adversely affect its eligibility to participate as an FHA approved mortgagee or as an approved lender under the VA guaranty program.

Section 6.21 Servicing Portfolio. Borrower will not commit or suffer to

be committed any act which would constitute a breach of any contract to which Borrower now is or hereafter becomes a party under which Borrower is obligated to service Mortgage Loans for another Person which breach would materially impair Borrower's mortgage loan servicing portfolio.

Section 6.22 Evidence of Compliance with Article V. Upon request by the

Bank, Borrower shall provide to the Bank evidence of its continued compliance with the representations and warranties under Article V, including but not

limited to, such certificates and documents as the Bank may require in its sole discretion.

Section 6.23 Appraisals. The Borrower shall obtain and maintain a copy of

an Appraisal with respect to the underlying property covered by each Mortgage included as Mortgage Collateral, shall require that all Appraisals delivered to Borrower in connection with the Mortgage Loans constituting Mortgage Collateral (whether originated by the Borrower or purchased by Borrower) comply in all respects with the Appraisal Laws and Regulations, shall implement and maintain administrative and operating procedures which permit the Borrower, the Bank to verify such compliance.

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ARTICLE VII

NEGATIVE COVENANTS

Borrower shall at all times comply with the covenants contained in this Article VII, from the date hereof and for so long as any part of the

Obligations or the Commitment of the Bank is outstanding:

Section 7.01 No Merger. Borrower shall not merge or consolidate with

or into any corporation, or acquire by purchase or otherwise all or substantially all of the assets or capital stock of any Person unless approved fifteen (15) days in advance by the Bank in writing.

Section 7.02 Limitation on Indebtedness. Borrower shall not, without

the prior written consent of the Bank, incur, create, contract, assume, have outstanding, guarantee or otherwise be or become, directly or indirectly, liable in respect of any Indebtedness, except (i) the Obligations, (ii) current liabilities for taxes and assessments, (iii) Existing Indebtedness listed on Exhibit "G" attached hereto and incorporated herein by this reference, (iv)

current amounts payable or accrued (other than for borrowed funds or purchase money obligations) which have been incurred in the ordinary course of business and (v) Indebtedness incurred in the ordinary course of business not to exceed on a cumulative basis \$100,000.00 at any time; provided that all such liabilities, accounts and claims permitted under clauses (i) through (v) shall

be promptly paid and discharged when due or in conformity with customary trade terms, unless the same shall be contested in good faith by Borrower.

Section 7.03 Fiscal Year, Method of Accounting. Borrower shall not

change its fiscal year or method of accounting.

Section 7.04 Lines of Business. Borrower shall not directly or

indirectly engage in any business other than that currently engaged in by Borrower and any business incidental thereto.

Section 7.05 Liquidations, Consolidations and Dispositions of

Substantial Assets. Borrower shall not dissolve or liquidate or sell, transfer,

pledge, lease or otherwise dispose of any portion of its property or assets or business (other than Mortgage Loans sold in compliance with the provisions of the Loan Documents in the ordinary course of business); provided, however, that nothing herein shall be construed to prohibit Borrower from selling Mortgage Notes to Investors in the ordinary course of its business subject to the terms of this Agreement.

Section 7.06 Loans, Advances, and Investments. Borrower shall not

make any loan (other than loans made in the ordinary course of its business as a mortgage company), advance, or capital contribution to, or investment in, or purchase or otherwise acquire any of the capital stock, securities, or evidences of indebtedness of, any Person (collectively, "Investment"), or otherwise

acquire any interest in, or control of, another Person, except for the following:

(a) Cash Equivalents;

(b) Any acquisition of securities or evidences of indebtedness of others when acquired by Borrower in settlement of accounts receivable or other debts arising in the ordinary course of business, so long as the aggregate amount of any such securities or evidences of indebtedness is not material to the business or condition (financial or otherwise) of Borrower;

(c) Mortgage Backed Securities acquired in the ordinary course of Borrower's business; and

(d) Owned real estate and Mortgage Loans, required to be repurchased by Investors, not to exceed at any one time \$75,000.00 on an annual basis.

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Section 7.07 Use of Proceeds. Borrower shall not permit the proceeds

of the Advances to be used for any purpose other than those permitted by Section

6.10 hereof.

Section 7.08 Actions with Respect to Mortgage Collateral. Borrower

shall not without the consent of Bank:

(a) Compromise, modify, extend, release, or adjust payments on any Mortgage Collateral, accept a conveyance of mortgaged property in full or partial satisfaction of any Mortgage Collateral, or release any Mortgage securing or underlying any Mortgage Collateral;

(b) Agree to the amendment or termination of any Take-Out Commitment in which the Bank has a security interest or to any substitution of a Take-Out Commitment for a Take-Out Commitment in which the Bank has a security interest hereunder; or

(c) Transfer, sell, assign, or deliver any Mortgage Collateral pledged to the Bank to any Person other than the Bank, except pursuant to a Take-Out Commitment and subject to the terms of the Loan Documents.

Section 7.09 Operational Changes. Borrower shall not (a) change the

location of any Collateral for the Loan, (b) change its taxpayer identification number, (c) change its address for its chief executive office or its mailing address or change its name, identity or corporate structure in any manner which might make any financing or continuation statement filed in connection with the Security Agreement seriously misleading within the meaning of Section 9.402 of the UCC (or any other then applicable provision of the UCC) unless Borrower

shall have given the Bank at least sixty (60) days' prior written notice thereof and shall have taken all action (or made arrangements to take such action substantially simultaneously with such change if it is impossible to take such action in advance) necessary or reasonably requested by the Bank to amend such financing statement or continuation statement so that it is not seriously misleading, or (d) change its principal place of business or remove the records concerning the Collateral unless it has given the Bank at least thirty (30) days' prior written notice of its intent to do so and has taken such action as is necessary or advisable in the opinion of the Bank to cause the security interest of the Bank in the Collateral to continue to be a first priority perfected security interest.

Section 7.10 Compliance with ERISA. Borrower shall not, and shall

not permit any ERISA Affiliate to:

(a) (i) engage in any transaction in connection with which Borrower or any ERISA Affiliate could be subject to either a civil penalty assessed pursuant to Section 502(i) of ERISA or a tax imposed by Section 4975 of the Code, (ii) fail to make full payment when due of all amounts which, under the provisions of any Plan, applicable law or applicable collective bargaining agreement, Borrower or any ERISA Affiliate is required to pay as contributions thereto, or (iii) permit to exist any accumulated funding deficiency, whether or not waived, with respect to any Plan if, in the case of any of subdivision (i), (ii) or (iii) above, such penalty or tax, or the failure to make such payment, or the existence of such deficiency, as the case may be, will likely have a Material Adverse Effect on the financial position of Borrower;

(b) permit the amount of unfunded benefit liabilities (within the meaning of Section 4001 (a) (18) of ERISA) under each Plan maintained at such time by Borrower or any of its Related Persons (other than Multiemployer Plans or "multiple employer Plans") to exceed \$50,000; or

(c) permit the aggregate complete or partial withdrawal liability under Title IV of ERISA with respect to all Plans which are "multiple employer Plans" and all Multiemployer Plans incurred by Borrower or any Related Person to exceed \$50,000.

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Section 7.11 Net Worth. Borrower's Net Worth shall not be less than the

sum of (a) \$500,000.00, (b) 80% of Borrower's Net Income for the preceding calendar quarter, plus (c) 100% of all contributions to stockholders' equity of Borrower after the date hereof, less all fees and costs directly incurred in connection with such contribution.

Section 7.12 Tangible Net Worth. Borrower's Tangible Net Worth will never

be less than the minimum required by the respective purchasers of the Mortgages, including HUD, FNMA, GNMA and FHLMC requirements in existence at any time.

Section 7.13 Adjusted Tangible Net Worth. Borrower's Adjusted Tangible Net

Worth shall not be less than the sum of (a) \$500,000.00, (b) 80% of Borrower's Net Income for the preceding calendar quarter, plus (c) 100% of all contributions to stockholders' equity of Borrower after the date hereof, less all fees and costs directly incurred in connection with such contribution.

Section 7.14 Total Liabilities to Adjusted Tangible Net Worth Ratio. The

ratio of Borrower's Total Liabilities to Borrower's Adjusted Tangible Net Worth shall not at any time be more than 10.0 to 1.0.

Section 7.15 Management. The President of Borrower shall not be changed

without the prior written consent of the Bank.

Section 7.16 Interested Transactions. Except with respect to any

transaction not exceeding \$50,000.00 in value, Borrower shall not engage in any transaction with any of its Affiliates (a) except on an arm's-length basis and on terms no less favorable to Borrower than those obtainable from persons who have no such relationship to Borrower and (b) provided that Borrower shall have given the Bank prior written notice of such transaction with any director, officer or managerial personnel.

Section 7.17 Transfer of Stock. Individually and on a cumulative no more

than 35% of the stock in Borrower shall be sold, transferred or conveyed to or
by any party without the prior written consent of the Bank.

Section 7.18 Investors. Borrower shall furnish to the Bank upon demand

financial information on all Investors to the extent that such information is
not confidential.

Section 7.19 Subsidiaries. Borrower shall not create any Subsidiaries

without the prior written consent of the Bank.

ARTICLE VIII

EVENTS OF DEFAULT

Section 8.01 Nature of Event. A Default shall exist if any one or more of

the following occurs:

(a) Borrower fails to make any payment of principal of or interest on
any Note, or payment of any fee, expense or other amount due hereunder,
under any Note or under any Loan Document, on or before the date such
payment is due;

(b) Default is made in the due observance or performance by Borrower
of any of the other covenants or agreements of Borrower contained in this
Agreement or in any Loan Document; provided, however, with respect to such
defaults other those specified in Sections 8.01(a), 8.01(c) through

8.01(k), 8.01(p), 8.01(q) and 8.01(s) through 8.01(y) (for which no notice

and opportunity to cure shall be available unless such opportunity is
specifically provided in such individual sections), Borrower shall have
thirty (30) days after notice of default from Bank within which to cure
such default;

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(c) Any statement, warranty or representation by or on behalf of
Borrower contained in this Agreement or any Loan Document or any
certificate furnished in connection with this Agreement, proves to have
been incorrect or misleading as of the date made or deemed made and
constitutes a Material Adverse Effect;

(d) Borrower fails to make when due any payment on any other
Indebtedness, including but not limited to the Existing Indebtedness as
shown on Exhibit "G", which failure constitutes a Material Adverse Effect;

(e) Borrower shall generally not pay its debts as they become due or
shall admit in writing its inability to pay its debts, or shall make a
general assignment for the benefit of creditors;

(f) Borrower shall (i) apply for or consent to the appointment of a
receiver, trustee, custodian, intervenor or liquidator of Borrower or of
all or a substantial part of Borrower's assets, (ii) file a voluntary
petition in bankruptcy, (iii) make a general assignment for the benefit of
creditors, (iv) file a petition or answer seeking reorganization or an
arrangement with creditors or to take advantage of any bankruptcy or
insolvency laws, (v) file an answer admitting the material allegations of,
or consent to, or default in answering, a petition filed against Borrower
in any bankruptcy, reorganization or insolvency proceeding, (vi) allow any
of its assets to be attached or seized, or (vi) take corporate action for
the purpose of effecting any of the foregoing;

(g) An involuntary petition or complaint shall be filed against
Borrower seeking bankruptcy or reorganization of Borrower or the
appointment of a receiver, custodian, trustee, intervenor or liquidator of
Borrower, or all or substantially all of Borrower's assets, and such
petition or complaint shall not have been dismissed within sixty (60) days
of the filing thereof; or an order, order for relief, judgment or decree
shall be entered by any court of competent jurisdiction or other competent
authority approving a petition or complaint seeking reorganization of

borrower or appointing a receiver, custodian, trustee, intervenor or liquidator of Borrower, or of all or substantially all of Borrower's assets;

(h) Any default or event of default shall occur under any other Indebtedness of Borrower to the Bank;

(i) The failure of Borrower to pay any money judgment against Borrower;

(j) The failure to have discharged any levy on, seizure, attachment, sequestration, or similar proceedings against any of Borrower's assets;

(k) Bank's security interests in any of the Mortgage Collateral should become unenforceable, or cease to be first priority security interests;

(l) A Reportable Event or Prohibited Transaction shall have occurred with respect to a Plan which could have a Material Adverse Effect;

(m) A notice of intent to terminate a Plan under a "distress termination" as described in Section 4041(c) of ERISA shall be filed which could, in the opinion of the Bank, have a Material Adverse Effect;

(n) The Plan administrator or Borrower shall receive a notice that the PBGC has instituted proceedings to terminate a Plan or appoint a trustee to administer a Plan;

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(o) Borrower or any ERISA Affiliate of Borrower shall withdraw from a multiemployer Plan and the Bank shall determine that such withdrawal could have a Material Adverse Effect;

(p) Any provision of any Loan Document shall for any reason cease to be in full force and effect or be declared null and void or unenforceable in whole or in part, or the validity or enforceability of any such document shall be challenged or denied;

(q) Any change of the office of president of Borrower shall occur without the prior written consent of the Bank;

(r) The occurrence of a Material Adverse Effect;

(s) The disqualification of Borrower to act as an approved FHA, FNMA or GNMA (if Borrower has been approved by GNMA as a servicer) mortgagee, or a lender under the VA loan guaranty program;

(t) If Borrower has been approved by GNMA as a servicer, GNMA shall revoke or terminate any servicing of Borrower, or GNMA shall issue a letter of extinguishment under any GNMA guaranty agreement, or GNMA shall seek any judicial relief;

(u) Borrower shall cease to be an eligible seller or servicer under any FNMA guide, or FNMA shall impose any sanctions upon or terminate or revoke any servicing of Borrower, or FNMA shall initiate any transfer of servicing from Borrower to another Person, or FNMA shall seek any judicial relief;

(v) If Borrower has been approved by GNMA as a servicer, GNMA shall send any notice to the Borrower that GNMA intends to or will revoke or terminate any servicing of the Borrower or issue a letter of extinguishment and such notification is not withdrawn within thirty (30) days of receipt by Borrower;

(w) Borrower shall receive notice that FNMA intends to or will terminate or transfer any servicing and such notice is not withdrawn by FNMA within thirty (30) days of receipt by Borrower;

(x) If any property of Borrower is seized or attached; and

(y) If more than 35% of the stock (on an individual or cumulative basis) in Borrower is sold, transferred or conveyed to or by any party without the prior written consent of the Bank.

Upon the occurrence of an Event of Default described in Section 8.01(f) or (g),

all of the Obligations shall thereupon be immediately due and payable, without presentment, demand, protest, notice of protest, declaration or notice of

acceleration or intention to accelerate, or any other notice or declaration of any kind, all of which are hereby expressly waived by Borrower and each Related Person. Upon the occurrence of any other Event of Default, Bank, at any time and from time to time may without notice to Borrower or any other person declare any or all of the Obligations immediately due and payable, and all such Obligations shall thereupon be immediately due and payable, without presentment, demand, protest, notice of protest, notice of acceleration or of intention to accelerate, or any other notice or declaration of any kind, all of which are hereby expressly waived by Borrower and each Related Person. After any such acceleration Bank shall have no obligation to make any further Advances or loans of any kind under any agreement with any Related Person.

Section 8.02 Remedies. If any Event of Default shall occur and be

continuing, Bank may protect and enforce the Bank's rights under the Loan Documents by any appropriate proceedings, including proceedings for

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specific performance of any covenant or agreement contained in any Loan Document, and Bank may enforce the payment of any Obligations due or enforce any other legal or equitable right. All rights, remedies and powers conferred upon Bank under the Loan Documents shall be deemed cumulative and not exclusive of any other rights, remedies or powers available under the Loan Documents or at law or in equity.

Upon the occurrence of an Event of Default, Bank may:

(a) Termination. Terminate Bank's Commitment to lend hereunder and

stop all advances hereunder.

(b) Acceleration. Declare all unpaid amounts under the Note and any

other portion of the Obligations immediately due and payable, without further notice, presentment, protest, demand or action of any nature whatsoever (each of which is hereby expressly waived by Borrower) whereupon the same shall become immediately due and payable.

(c) Judgment. Reduce to Judgment any claim arising under this

Agreement that Bank have standing to assert.

(d) Foreclosure. Take such steps as are appropriate to foreclose or

otherwise enforce all Liens granted to Bank to secure payment and performance of the Obligations, and to exercise any and all rights afforded secured parties by the UCC, the Loan Documents, at law, in equity or otherwise.

In addition to, and without limiting or restricting in any way the foregoing, Bank or its designee may take possession of any Collateral and related documents securing the obligations or any portion thereof not already in the possession of Bank or its designee, and of any documents or instruments held by Borrower for the benefit of Bank and may direct Borrower to, and Borrower will, gather or assemble all of such Collateral and documents or any portion thereof at the principal offices of Bank or its designee as Bank shall determine or any other place reasonably convenient to Borrower and Bank as such parties shall agree, may notify any party obligated on any Collateral securing the Obligations or a portion thereof to make all payments due or to become due with respect thereto directly to Bank or its designee, with the amounts of such payments to be held for the benefit of Bank, and Bank or its designee may collect such payments; enforce collection of any Collateral securing the obligations or a portion thereof by suit or otherwise in its own name or in the name of Borrower; assign, negotiate or transfer any such Collateral for purposes of collection; surrender, release, substitute or exchange all or any part of such Collateral or any collateral, security or guaranty therefor; or compromise or extend or renew for any period (whether or not longer than the original period) any indebtedness thereunder or evidenced thereby. Upon the request of Bank or its designee, Borrower will, at its own expense, notify any person obligated upon any Collateral securing the obligations or a portion thereof to make payment to Bank or its designee of any amounts due or to become due thereunder.

Section 8.03 Performance by Bank. Should any covenant, duty or agreement

of Borrower fail to be performed in accordance with the terms and conditions of

any of the Loan Documents to which it is party, Bank may, at its option, perform, or attempt to perform, such covenant, duty or agreement on behalf of Borrower. In such event, Borrower shall, at the request of Bank, promptly pay any amount expended by Bank in such performance or attempted performance to Bank at the office of Bank listed on the signature pages hereof, together with interest thereon at the Maximum Rate from the date of such expenditure by Bank until paid. Notwithstanding the foregoing, it is expressly understood that Bank does not assume and shall never have, except by express written consent, any liability or responsibility for the performance of any duties of Borrower hereunder, or under or in connection with all or any part of the Collateral.

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ARTICLE IX

[INTENTIONALLY DELETED]

ARTICLE X

INDEMNIFICATION

SECTION 10.01 INDEMNIFICATION. IN CONSIDERATION OF THE COMMITMENT OF BANK,

BORROWER AGREES TO INDEMNIFY AND DEFEND THE BANK AND ANY PERSON DEEMED TO CONTROL THE BANK AND THEIR RESPECTIVE DIRECTORS, OFFICERS, ATTORNEYS, AFFILIATES, AND EMPLOYEES (ANY AND ALL OF WHOM ARE REFERRED TO AS THE "INDEMNIFIED PARTY") FROM, AND HOLD EACH OF THEM HARMLESS AGAINST, ANY AND ALL

LOSSES, LIABILITIES, CLAIMS, DAMAGES, PENALTIES, DEFICIENCIES, INTEREST, JUDGMENTS, DISBURSEMENTS, COSTS AND EXPENSES (INCLUDING BUT NOT LIMITED TO ATTORNEYS' FEES) INCURRED BY THEM OR ANY OF THEM DIRECTLY OR INDIRECTLY ARISING OUT OF OR BY REASON OF (I) ANY INVESTIGATION, LITIGATION OR OTHER PROCEEDING BROUGHT OR THREATENED, ARISING OUT OF OR BY REASON OF THE BANK'S EXECUTION OF THIS AGREEMENT OR ANY LOAN DOCUMENT AND THE TRANSACTION CONTEMPLATED THEREBY, INCLUDING, BUT NOT LIMITED TO, ANY USE EFFECTED OR PROPOSED TO BE EFFECTED BY BORROWER OF THE PROCEEDS OF THE ADVANCES, (II) ANY IMPOUNDMENT, ATTACHMENT OR RETENTION OF ANY OF THE MORTGAGE COLLATERAL OR ANYTHING WHICH RESULTS IN THE FAILURE OF ANY INVESTOR TO PAY THE ENTIRE PURCHASE PRICE OF ANY OF THE MORTGAGE COLLATERAL PURSUANT TO ANY TAKE-OUT COMMITMENT, (III) ANY ALLEGED VIOLATION OF ANY FEDERAL OR STATE LAW RELATING TO USURY OR TRUTH IN LENDING IN CONNECTION WITH ANY MORTGAGE COLLATERAL, AND (IV) ANY REPRESENTATION MADE BY BORROWER HEREUNDER OR UNDER ANY OF THE LOAN DOCUMENTS; PROVIDED, HOWEVER, THAT NOTHING CONTAINED HEREIN SHALL BE CONSTRUED AS AN AGREEMENT BY BORROWER TO INDEMNIFY AND HOLD THE BANK, ANY PERSON DEEMED TO CONTROL THE BANK, OR ANY OF THEIR RESPECTIVE OFFICERS, DIRECTORS OR EMPLOYEES HARMLESS FROM OR AGAINST ANY LOSSES, CLAIMS, DAMAGES, LIABILITIES, COSTS OR EXPENSES ARISING OUT OF THE GROSS NEGLIGENCE, WILLFUL MISCONDUCT OR FRAUD OF THE BANK, OR ANY OF ITS OFFICERS, DIRECTORS OR EMPLOYEES. WITHOUT LIMITING ANY PROVISION OF THIS PARAGRAPH, IT IS THE EXPRESS INTENTION OF THE PARTIES HERETO THAT EACH PERSON OR ENTITY TO BE INDEMNIFIED HEREUNDER SHALL BE INDEMNIFIED FROM AND HELD HARMLESS AGAINST ANY AND ALL LOSSES, LIABILITIES, CLAIMS, DAMAGES, PENALTIES, DEFICIENCIES, INTEREST, JUDGMENTS, DISBURSEMENTS, COSTS AND EXPENSES (INCLUDING BUT NOT LIMITED TO ATTORNEYS' FEES) ARISING OUT OF OR RESULTING FROM THE SOLE OR CONTRIBUTORY NEGLIGENCE OF SUCH PERSON OR ENTITY. THE BANK SHALL NOT BE RESPONSIBLE OR LIABLE TO BORROWER OR ANY OTHER PERSON OR ENTITY FOR ANY CONSEQUENTIAL DAMAGES THAT MAY BE ALLEGED AS A RESULT OF OR IN CONNECTION WITH (I), (II), (III) AND (IV) LISTED IN THIS PARAGRAPH. BORROWER'S OBLIGATIONS UNDER THIS PARAGRAPH SHALL SURVIVE THE COMMITMENT TERMINATION DATE, NOTWITHSTANDING ANYTHING TO THE CONTRARY. BORROWER SHALL PROVIDE SUCH INDEMNIFICATION AND DEFENSE UPON WRITTEN NOTICE FROM THE BANK.

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ARTICLE XI

MISCELLANEOUS

Section 11.01 Notices. Any notice or request required or permitted to be

given under or in connection with this Agreement, the Loan Documents (except as may otherwise be expressly required therein) or the Note shall be in writing and

shall be mailed by first class mail, postage prepaid, or sent by telex, telegram, telecopy or other similar form of rapid transmission confirmed by mailing (by first class mail, postage prepaid) written confirmation at substantially the same time as such rapid transmission, or personally delivered to an officer of the receiving party. All such communications shall be mailed, sent or delivered to the parties hereto at their respective addresses as follows:

Borrower: Home, Inc.

6836 Austin Center Blvd.
Suite 280
Austin, Texas 78731
Attention: Mr. John Ballard
President

Bank: Guaranty Federal Bank, F.S.B.

8333 Douglas Avenue
10th Floor
Dallas, Texas 75225
Attention: Mortgage Finance Division
Mr. W. James Meintjes

or at such other addresses or to such individual's or department's attention as either party may have furnished the other party in writing. Any communication so addressed and mailed shall be deemed to be given when so mailed, except that notices and requests given pursuant to Section 3.04(f) hereof, Credit Requests

and communications related to Credit Requests shall not be effective until actually received by the Bank, as the case may be; and any notice so sent by rapid transmission shall be deemed to be given when receipt of such transmission is acknowledged, and any communication so delivered in person shall be deemed to be given when receipted for by, or actually received by, an authorized officer of Borrower or Bank, as the case may be.

Section 11.02. Commitment Fees. Borrower shall pay to the Bank a

Commitment Fee (herein so called), calculated based upon the actual number of days elapsed when Bank has an outstanding Commitment hereunder, equal to the per annum rate (based upon a 360 day year) of one eighth of one percent (0.125%) of the Commitment of Bank payable in advance in quarterly installments (each equal to one-fourth of the annual Commitment Fee) on the date hereof and on the first day of each calendar quarter (January, April, July and October).

Section 11.03. Custodian Fees. Borrower shall pay to Bank Custodian Fees

(herein so called) of \$20.00 per Mortgage Loan.

Section 11.04 Amendments and Waivers. Any provision of this Agreement, any

Loan Document or the Note may be amended or waived if, and only if, such amendment or waiver is in writing and is signed by the Borrower and the Bank.

Section 11.05 Invalidation. In the event that any one or more of the

provisions contained in the Note, this Agreement or any Loan Document shall, for any reason, be held invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision of such document.

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Section 11.06 Survival of Agreements. All covenants and agreements herein

and in the Loan Documents not fully performed before the date hereof or the date of the Loan Documents, and all representations and warranties of Borrower herein or in the Loan Documents, shall survive until payment in full of the Obligations and termination of the Commitment.

Section 11.07 Regulatory Requirements. This Agreement is subject to all

governmental regulations to which the Bank is subject. Notwithstanding anything to the contrary, in no event shall the Bank be obligated to advance to Borrower hereunder or under the Loan Documents any amounts which would cause the Bank to exceed applicable governmental lending limit regulations.

Section 11.08 Waiver. No course of dealing on the part of any Bank, its

officers, employees, consultants or agents, nor any failure or delay by the Bank with respect to exercising any right, power or privilege of the Bank under the Note, this Agreement or any Loan Document shall operate as a waiver thereof.

Section 11.09 Cumulative Rights. Rights and remedies of Bank under the

Note, this Agreement and each Loan Document shall be cumulative, and the exercise or partial exercise of any such right or remedy shall not preclude the exercise of any other right or remedy.

SECTION 11.10 CHOICE OF LAW. THIS AGREEMENT, THE NOTE AND EACH LOAN

DOCUMENT IS A CONTRACT MADE UNDER AND SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE UNITED STATES OF AMERICA AND THE STATE OF TEXAS, EXCEPT AS OTHERWISE SPECIFIED HEREIN OR THEREIN, AND, WITH RESPECT TO USURY LAWS, IF ANY, APPLICABLE TO THE BANK AND TO THE EXTENT ALLOWED THEREBY, AS SUCH LAWS MAY HEREAFTER BE IN EFFECT WHICH ALLOW A HIGHER MAXIMUM NONUSURIOUS INTEREST RATE THAN SUCH LAWS NOW ALLOW. TEX. REV. CIV. STAT. ANN. ART. 5069, CH. 15 (WHICH REGULATES CERTAIN REVOLVING LOAN ACCOUNTS AND REVOLVING TRI-PARTY ACCOUNTS) SHALL NOT APPLY TO THIS AGREEMENT OR THE NOTE.

Section 11.11 Interest. Notwithstanding anything contained herein or in

the Note to the contrary, the Bank shall never be deemed to have contracted for or be entitled to receive, collect or apply as interest on any Note, any amount in excess of the amount permitted and calculated at the maximum rate permitted by applicable law (the "Maximum Rate"), and, in the event Bank ever receives,

collects or applies as interest any amount in excess of the amount permitted and calculated at the Maximum Rate, such amount which would be excessive interest shall be applied to the reduction of the unpaid principal balance of Note, and, if the principal balance of Note is paid in full, any remaining excess shall forthwith be paid to Borrower. In determining whether or not the interest paid or payable under any specific contingency exceeds the Maximum Rate, Borrower and Bank shall, to the maximum extent permitted under applicable law, (i) characterize any non-principal payment (other than payments which are expressly designated as interest payments hereunder) as an expense, fee, or premium, rather than as interest, (ii) exclude voluntary prepayments and the effect thereof, and (iii) spread the total amount of interest throughout the entire contemplated term of such Note.

To the extent that Article 5069-1.04 of the Texas Revised Civil Statutes is relevant to the Bank for the purpose of determining the Maximum Rate, the Bank hereby elects to determine the applicable rate ceiling under such Article by the "indicated rate ceiling" from time to time in effect, subject to the Bank's right subsequently to change such method in accordance with applicable law.

Section 11.12 Right of Offset. Borrower hereby grants to the Bank and to

any assignee or participant of Bank a right of offset, to secure the repayment of the Obligations, upon any and all monies, securities or other property of Borrower, and the proceeds therefrom now or hereafter held or received by or in transit to such Person, from or for the account of Borrower, whether for safekeeping, custody, pledge, transmission, collection or otherwise, and also upon any and all deposits (general or special, time or demand, provisional or final) and credits of Borrower, and any and all claims of Borrower against such Person at any time existing. Upon the occurrence

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of any Event of Default, such Person is hereby authorized at any time and from time to time, without notice to Borrower, to offset, appropriate, and apply any and all items hereinabove referred to against the Obligations. The Bank's contractual right of offset granted by Borrower hereunder is separate and independent of the Bank's common law right of offset and is not governed by any restrictions existing under the common law right of offset. Notwithstanding anything in this Section 11.12 or elsewhere in this Agreement to the contrary,

the Bank and any assignee or participant of the Bank shall not have any right to offset, appropriate or apply any accounts of Borrower which consist of escrowed funds (except and to the extent of any beneficial interest of Borrower in such escrowed funds) which have been so identified by Borrower in writing at the time of deposit thereof.

Section 11.13 Assignments, etc.

(a) Assignments and Participations. All covenants and agreements by or on

behalf of Borrower in the Note, this Agreement, or any other Loan Document shall bind Borrower's successors and assigns and shall inure to the benefit of the Bank and its successors and assigns. Borrower shall not, however, have the right to assign its rights under this Agreement or any interest herein, without the prior written consent of the Bank. The Bank may assign to one or more Persons all or any part of, and may grant participations to one or more Persons in all or any part of, its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment, the Advances owing to it and the Note held by it). In the event that Bank sells participations in the Note or other Obligations of Borrower incurred or to be incurred pursuant to this Agreement, to other lenders, each of such other lenders shall have the rights of set off against such Obligations and similar rights or Liens to the same extent as may be available to the Bank.

(b) Additional Bank. From time to time additional Bank may be added hereto

upon execution by the Borrower, the Bank and such additional Bank of documentation in form and substance satisfactory to each of such parties.

Section 11.14 Exhibits. The exhibits attached to this Agreement are

incorporated herein and shall be considered a part of this Agreement for the purposes stated herein, except that in the event of any conflict between any of the provisions of such exhibits and the provisions of this Agreement, the provisions of this Agreement shall prevail.

Section 11.15 Titles of Articles, Sections and Subsections. All titles or

headings to articles, sections, subsections or other divisions of this Agreement or the exhibits hereto are only for the convenience of the parties and shall not be construed to have any effect or meaning with respect to the other content of such articles, sections, subsections or other divisions, such other content being controlling as to the agreement between the parties hereto.

Section 11.16 Counterparts. This Agreement may be executed in two or more

counterparts, and it shall not be necessary that the signatures of both parties hereto be contained on any one counterpart hereof; each counterpart shall be deemed an original, but all counterparts together shall constitute one and the same instrument.

SECTION 11.17. WAIVER OF TRIAL BY JURY. AS A SPECIFICALLY BARGAINED

INDUCEMENT FOR THE BANK TO ENTER INTO THIS AGREEMENT AND EXTEND CREDIT TO BORROWER, BORROWER AND THE BANK EACH WAIVE TRIAL BY JURY WITH RESPECT TO ANY ACTION, CLAIM, SUIT OR PROCEEDING IN RESPECT OF OR ARISING OUT OF THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AND/OR THE CONDUCT OF THE RELATIONSHIP BETWEEN THE BANK AND BORROWER.

Section 11.18. CONSENT TO JURISDICTION. THE BORROWER HEREBY AGREES THAT

THE OBLIGATIONS CONTAINED HEREIN ARE PERFORMABLE IN DALLAS COUNTY, TEXAS. ALL PARTIES HERETO AGREE THAT (I) ANY ACTION ARISING OUT OF THIS TRANSACTION MAY BE FILED IN DALLAS COUNTY, TEXAS, (II) VENUE FOR ENFORCEMENT OF ANY OF THE OBLIGATIONS CONTAINED IN THE LOAN DOCUMENTS SHALL BE IN DALLAS COUNTY, TEXAS,

(III) PERSONAL JURISDICTION SHALL BE IN DALLAS COUNTY, TEXAS, (IV) ANY ACTION OR PROCEEDING UNDER THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT MAY BE COMMENCED AGAINST BORROWER IN DALLAS COUNTY, (V) SUCH ACTION MAY BE INSTITUTED IN THE COURTS OF THE STATE OF TEXAS LOCATED IN DALLAS COUNTY, TEXAS OR IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF TEXAS LOCATED IN DALLAS COUNTY, TEXAS, AT THE OPTION OF THE BANK AND (VI) THE BORROWER HEREBY WAIVES ANY OBJECTION TO THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING AND ADDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO BE SUED ELSEWHERE. NOTHING HEREIN SHALL AFFECT THE RIGHT OF THE BANK TO ACCOMPLISH SERVICE OF PROCESS IN ANY OTHER MANNER PERMITTED BY LAW.

Section 11.19. Confidentiality. Except as provided herein to the contrary,

all correspondence from the Bank to Borrower and all of the Loan Documents are confidential and may not be shown by Borrower to or discussed by Borrower with any third party (other than on a confidential basis with Borrower's legal

counsel and independent public accountants) without Bank's prior written consent.

SECTION 11.20. ENTIRE AGREEMENT. THIS WRITTEN LOAN AGREEMENT AND THE OTHER

LOAN DOCUMENTS REPRESENTED THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

IN WITNESS WHEREOF, the parties hereto have caused this instrument to be duly executed as of the date first above written.

BORROWER:

HOMEOWNERS MORTGAGE & EQUITY, INC.,
a Delaware corporation d/b/a HOME, INC.

By: /s/ John Ballard

John Ballard, President

BANK:

GUARANTY FEDERAL BANK, F.S.B.,
a federal savings bank

By: _____
W. James Meintjes,
Assistant Vice President

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STATE OF TEXAS (S)
(S)
COUNTY OF TRAVIS (S)

This instrument was ACKNOWLEDGED before me the 14th day of June, 1996, by John Ballard, President of HOMEOWNERS MORTGAGE & EQUITY, INC. d/b/a Home, Inc., a Delaware corporation, on behalf of said corporation.

/s/ AMY ANDREWS

Notary Public - State of Texas

My Commission expires: /s/ AMY ANDREWS
02.14.98 -----
Printed Name of Notary

STATE OF TEXAS (S)
(S) (Notary Public Seal here)
COUNTY OF DALLAS (S)

This instrument was ACKNOWLEDGED before me the ____ day of _____, 1996, by W. James Meintjes, Assistant Vice President of GUARANTY FEDERAL BANK, F.S.B., a federal savings bank, on behalf of said bank.

Notary Public - State of Texas

My Commission expires: _____
Printed Name of Notary

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Exhibits:

- "A" -- Mortgage Warehouse Credit Request
- "B" -- Form of Delivery Commitment Certificate
- "C" -- Form of Promissory Note
- "D" -- [Intentionally Deleted]
- "E" -- Bailee Letter
- "F" -- Trust Receipt and Bailee Letter
- "G" -- Existing Indebtedness
- "H" -- Certificate Accompanying Financial Statements
- "I" -- [Intentionally Deleted]
- "J" -- [Intentionally Deleted]
- "K" -- [Intentionally Deleted]
- "L" -- Compliance Certificate
- "M" -- Interest Rate Election Notice

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EXHIBIT "A"

MORTGAGE WAREHOUSE CREDIT REQUEST

From: HomeOwners Mortgage & Equity, Inc. d/b/a Home, Inc.
 6836 Austin Center Blvd.
 Suite 280
 Austin, Texas 78731
 Phone (512) 343-8911
 Fax (512) 343-1837

TO: Guaranty Federal Bank, F.S.B.

1. HOMEOWNERS MORTGAGE & EQUITY, INC. D/B/A HOME, INC. requests an Advance in the amount and on the date specified from the Bank (cumulatively, a "Borrowing") in the cumulative amount and on the date herein specified, -----
 pursuant to the Warehouse Loan Agreement among Borrower, GUARANTY FEDERAL BANK, F.S.B. ("Bank"), dated as of June 1, 1996, as amended to date (the -----
 "Agreement"), and hereby grants to Bank, in accordance with the provisions -----
 of that certain Security Agreement, dated as of even date with the Agreement, between Borrower and the Bank, as amended to date, a security interest and Lien in the Mortgage Collateral described on the attached schedule. Capitalized terms used herein and defined in the Agreement shall be used herein as so defined.

2. (a) Borrowings requested (Borrowings other than Wet Advances):

 - (i) Borrower hereby requests a Borrowing in the principal amount of \$_____.
 - (ii) Requested Borrowing Date: _____, 199__.
 - (iii) Borrower hereby grants to the Bank a security interest in each Mortgage Note described on Schedule I attached hereto.

- (b) Borrowing Requested (Wet Advances):

 - (i) Borrower hereby requests a Wet Advance in the principal amount of \$_____.
 - (ii) Borrower hereby grants to the Bank a security interest in each Mortgage Note described on Schedule I attached hereto, and -----
 covenants to deliver to the Bank, not later than five (5) days after the borrowing date set forth in subparagraph 2(b)(iii) -----
 below, the items specified in Subsection 2.03(b) of the -----
 Agreement which relate thereto.
 - (iii) Requested Borrowing Date: _____, 199__.

(iv) Aggregate outstanding principal amount of Wet Advances (after giving effect to any Wet Advance requested hereby) with respect to which the items of Mortgage Collateral described in Section

3.02 of the Agreement have not yet been delivered to the Bank:

\$ _____.

(v) Requirement of Agreement: Maximum of \$500,000.00.

Requirement satisfied _____.

Requirement not satisfied _____.

(c) Requirement of Agreement: Maximum of \$1,000,000.00 comprised of Second Lien Mortgage Loans other than Conventional Equity Recovery Loans, Conventional Purchase Money Second Lien Loans and Conventional Home Improvements Loans.

Requirement satisfied _____.

Requirement not satisfied _____.

3. The undersigned officer of Borrower represents and warrants to the Bank:

(a) Borrower is entitled to receive the requested Borrowing under the terms and conditions of the Agreement;

(b) all items which Borrower is required to furnish to the Bank pursuant to the Agreement accompany this Credit Request (or, in the case of a Wet Advance, shall be delivered to the Bank in accordance with Subsection

2.03(b) of the Agreement);

(c) all Mortgage Collateral offered hereby conforms in all respects with the applicable requirements set forth in the Agreement and the Security Agreement;

(d) no Default has occurred and is continuing under the Agreement; and

(e) no change or event which constitutes a Material Adverse Effect has occurred.

4. Borrower represents and warrants that, except as permitted under Section

3.02 of the Agreement, Borrower holds with respect to each of the Mortgage

Notes hereby offered the following:

(a) unless delivered herewith, the original filed copy of the Mortgage relating to such Mortgage Note;

(b) mortgagee policies of title insurance conforming to the requirements of the Bank or binding commitments for the issuance of same;

(c) insurance policies insuring the mortgaged premises as required by the Bank; and

(d) unless delivered herewith, an original executed Take-Out Commitment relating to such Mortgage Note.

Borrower agrees that it holds the above items in trust for the Bank, and will at any time deliver the same to the Bank upon request or, upon written instructions from the Bank, to any Person designated by the Bank. Borrower further agrees that it will not deliver any of the above items, nor give, transfer, or assign

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any interest in same, to any Person other than the Bank (or the Person or Persons designated by the Bank) without the prior written consent of the Bank.

5. The representations and warranties of Borrower contained in the Agreement and those contained in each other Loan Document to which Borrower is a party are true and correct in all respects on and as of the date hereof.

HomeOwners Mortgage & Equity, Inc.
d/b/a Home, Inc.,
a Delaware corporation

Date: _____, 199____ By: _____
Name:
Vice President

STATE OF TEXAS (S)
(S)
COUNTY OF TRAVIS (S)

This instrument was ACKNOWLEDGED before me the ____ day of _____,
199____, by _____, _____ of HOMEOWNERS MORTGAGE &
EQUITY, INC. D/B/A HOME, INC., a Delaware corporation, on behalf of said
corporation.

Notary Public - State of Texas

My Commission expires:

Printed Name of Notary

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SCHEDULE I
MORTGAGE NOTES

<TABLE>
<CAPTION>

Date	Original Principal Amount	Collateral Value	Maker	Payee	Interest Rate	Maturity Date	Loan Number	Check Number	or	Wiring Instructions
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>

</TABLE>

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EXHIBIT B

FORM OF DELIVERY COMMITMENT CERTIFICATE

HOMEOWNERS MORTGAGE & EQUITY, INC. D/B/A HOME, INC. ("Borrower")

hereby notifies GUARANTY FEDERAL BANK, F.S.B. ("Bank") under that certain Loan

Agreement dated as of June 1, 1996 (as amended, extended and replaced from time
to time, the "Agreement"), between Borrower and the Bank (as defined therein)

that with respect to the Mortgage Loan referred to below:

() Such Mortgage Loan was funded and closed on _____: or

() Such Mortgage Loan will close and fund no later than _____ ()
Business Day(s) from the date hereof.

Borrower hereby acknowledges, agrees and confirms with respect to such
Mortgage Loan as follows:

1. Such Mortgage Loan has been, or will be, closed and funded with
advance(s) (an "Advance") made by the Bank pursuant to the Agreement, such

Advance constituting "new value" as that term is used in Section 9.304(d) of the

Texas Business and Commerce Code (or the corresponding provision of the Code of

any other applicable jurisdiction).

2. Bank has a first perfected security interest in and first lien upon said Mortgage Loan, including, without limitation, in the promissory note evidencing such Mortgage Loan (the "Mortgage Note").

3. The Mortgage Note and all other documents, instruments and agreements required to be delivered to Bank pursuant to Section 2.03 of the Agreement with respect to such Mortgage Loan (the "Required Documents"), either have been delivered to Bank or are being transmitted to Bank and will be in the possession of Bank on or before the fifth (5th) Business Day after the date hereof.

4. Until the required documents for such Mortgage Loan are delivered to Bank, they will be held in trust for Bank, segregated and conspicuously marked to show the interest of Bank therein. Borrower assumes all responsibility for loss, damage or deterioration of such Mortgage Loan and the Required Documents relating thereto until the same are in the possession of Bank and will make no disposition of such Mortgage Loan and Required Documents other than to Bank.

5. In the event the required documents for such Mortgage Loan are not received by Bank by the date required under Paragraph 3 above, Borrower shall immediately (a) prepay the full amount of any Advance relating to such Mortgage Loan (and Bank may debit the Borrower's Funding Account for the full amount thereof) or (b) deliver additional Mortgage Collateral, the Collateral Value of which is equal to or greater than the amount of such Advance, all as set forth in Section 2.04 of the Agreement. Borrower hereby acknowledges and agrees that any Advance relating to the Mortgage Loan described below is secured by all Collateral in which Bank has a security interest under the Agreement and Loan Documents.

6. Capitalized terms not otherwise defined herein shall have the meanings assigned such terms in the Agreement.

7. Identifying Information:

Loan Number: Note Date: Note Amount:
Mortgagor: Note Rate:
Property Address: Loan Type: Program Type:
Escrow or Title Company:

DATE: _____ 19__

HOMEOWNERS MORTGAGE & EQUITY, INC.
D/B/A HOME, INC.,
a Delaware corporation

By: _____
Name: _____
Title: _____

STATE OF TEXAS (S)
COUNTY OF TRAVIS (S)

This instrument was ACKNOWLEDGED before me the ___ day of _____, 199__, by _____, _____ of HOMEOWNERS MORTGAGE &

Initialed for
Identification

whichever laws allow the greater interest, as such laws now exist or may be changed or amended or come into effect in the future.

If this Note is placed in the hands of an attorney for collection after default, or if all or any part of the indebtedness represented hereby is proved, established or collected in any court of in any bankruptcy, receivership, debtor relief, probate or other court proceedings, Borrower and all endorsers, sureties and guarantors of this Note jointly and severally agree to pay reasonable attorneys' fees and collection costs to the holder hereof in addition to the principal and interest payable hereunder.

Borrower and all endorsers, sureties and guarantors of this Note hereby severally waive demand, presentment for payment, protest, notice of protest, notice of intention to accelerate the maturity of this Note, diligence in collecting, the bringing of any suit against any party and any notice of or defense on account of any extensions, renewals, partial payments or changes in any manner of or in this Note or in any of its terms, provisions and covenants, or any releases or substitutions of any security, or any delay, indulgence or other act of any trustee or any holder hereof, whether before or after maturity.

Borrower reserves the right to prepay the outstanding principal balance of this Note, in whole or in part at any time and from time to time without premium or penalty, in accordance with the terms of the Loan Agreement.

THIS NOTE AND THE RIGHTS AND DUTIES OF THE PARTIES HERETO SHALL BE GOVERNED

BY THE LAWS OF THE STATE OF TEXAS, EXCEPT TO THE EXTENT THE SAME ARE GOVERNED BY

APPLICABLE FEDERAL LAW.

THIS NOTE AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

HOMEOWNERS MORTGAGE & EQUITY, INC. D/B/A
HOME, INC., a Delaware corporation

By: _____
John Ballard,
President

Initialed for
Identification

STATE OF TEXAS (S)
(S)
COUNTY OF TRAVIS (S)

This instrument was ACKNOWLEDGED before me the ____ day of June, 1996, by John Ballard, President of HOMEOWNERS MORTGAGE & EQUITY, INC. D/B/A HOME, INC., a Delaware corporation, on behalf of said corporation.

Notary Public -State of Texas

My Commission expires: _____

Printed Name of Notary

Investor Address

AIR BILL # _____

DATE _____

BAILEE LETTER

Ladies and Gentlemen:

Enclosed are ____ original promissory notes in the original principal amount of \$ _____ ("Notes") evidencing the mortgage loans described on the attached Schedule "A" along with other related documents (collectively, "Collateral"), for inspection by _____ ("Investor") prior to purchase pursuant to a commitment to purchase such mortgage loans from HomeOwners Mortgage & Equity, Inc. d/b/a Home, Inc. ("Seller"). A security interest in the Collateral and proceeds has been granted to GUARANTY FEDERAL BANK, F.S.B. ("Bank"), in accordance with Seller's warehouse loan agreement (the "Loan Agreement") with Bank.

All Collateral now or hereafter delivered to Investor is to be held by Investor in trust as a custodian, bailee and agent for the benefit of Bank and subject to only Bank's direction and control until released as provided herein. Proceeds of all Collateral accepted for purchase must be remitted immediately, by wire transfer, upon settlement by Investor, in immediately available funds, to: GUARANTY FEDERAL BANK, F.S.B., ABA # _____ for benefit of HOMEOWNERS MORTGAGE & EQUITY, INC. D/B/A HOME, INC., Account # _____, Attn: _____. Investor shall be responsible for making certain that all of the proceeds from the sale of the Collateral are received in accordance with the wire transfer instructions set forth above.

Bank has no obligation to release its security interest in the collateral unless Bank receives the minimum amount of proceeds for each Note as set forth on the attached Schedule "A". Upon Bank's receipt of such proceeds, its security interest in the Collateral shall terminate without further action. The Collateral has not been assigned or transferred by Bank to any other party.

Collateral which is not purchased must be returned within ten (10) days after the date of this Bailee Letter to the undersigned at the address listed above. The Bank reserves the right at any time, until the Collateral has been purchased, to demand the return of the Collateral to Bank, and Investor agrees to return to Bank any Collateral not purchased by Investor immediately upon such demand by Bank.

The persons listed on the attached Schedule "B" are the authorized representatives ("Authorized Representatives") of Bank. Investor shall not honor any communication from Seller relating to any Collateral, which is not confirmed by the written or telephonic consent of an Authorized Representative of Bank, or until Bank has received the minimum amount of proceeds of the sale of such Notes set forth on the attached Schedule "A". Investor shall not deliver any Collateral to any third party without the prior written consent of Bank. In no event shall the Notes enclosed herein be returned to Seller.

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In the event Investor is not able for any reason to comply with the terms of this Bailee Letter, Investor shall immediately return all Collateral to Bank

at the above address.

No deviation in performance of the terms of any previous Bailee Letter will alter any of your duties or responsibilities as provided herein. If Bank files suit to recover the Collateral, or the proceeds from the sale of the Collateral, the prevailing party shall recover all attorneys' fees, expenses and costs as a result of such action.

By accepting the Collateral, Investor shall be bound by the terms of this Bailee Letter, Bank requests that Investor acknowledge receipt of the Collateral and this Bailee Letter by signing and returning the enclosed copy of this Bailee Letter in the enclosed self-addressed envelope; provided, however, that Investor's failure to do so does not nullify Investor's acceptance of the terms of this Bailee Letter.

Sincerely,

GUARANTY FEDERAL BANK, F.S.B.

By: _____
Name: _____
Title: _____

ACKNOWLEDGEMENT OF RECEIPT

INVESTOR:

_____ [COMPANY]

By: _____
Name: _____
Title: _____
Dated: _____

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STATE OF TEXAS (S)
(S)
COUNTY OF DALLAS (S)

This instrument was ACKNOWLEDGED before me the ____ day of _____, 199__, by _____, _____ of _____, a _____, on behalf of said _____.

Notary Public - State of Texas

My Commission expires: _____
----- Printed Name of Notary

The undersigned Seller agrees to and acknowledges the terms of this Bailee Letter and, notwithstanding any contrary understanding with or instructions to Investor, Seller instructs Investor to act according to the instructions set forth in this Bailee Letter. These instructions cannot be altered except by written instructions executed by Bank.

SELLER:

HOMEOWNERS MORTGAGE & EQUITY, INC.
D/B/A HOME, INC.

By: _____
Name: _____
Title: _____

The following list of persons are authorized representatives of Bank. In accordance with the terms of this Bailee Letter, you are instructed that until Bank has received the minimum amount of proceeds noted above from the sale of the Collateral, you are not to honor any communication from Seller relating to any Collateral which is not confirmed by the written or telephonic consent of one of the authorized signers listed below:

Typed Name:	Title:	Signature:
-----	-----	-----
-----	-----	-----
-----	-----	-----
-----	-----	-----
-----	-----	-----
-----	-----	-----
-----	-----	-----

STATE OF TEXAS (S)
 (S)
 COUNTY OF DALLAS (S)

This instrument was ACKNOWLEDGED before me the ____ day of _____, 199__, by _____, _____ of HOMEOWNERS MORTGAGE & EQUITY, INC. D/B/A HOME, INC., a Delaware corporation, on behalf of said corporation.

 Notary Public - State of Texas

My Commission expires: _____

 Printed Name of Notary

EXHIBIT "F"

TRUST RECEIPT
 AND BAILEE LETTER

DATE: _____

GUARANTY FEDERAL BANK, F.S.B.
 8333 Douglas Avenue
 Tenth Floor
 Dallas, Texas 75225

Attn: W. James Meintjes

Pursuant to Section 3.06 of Loan Agreement by and between Guaranty Federal Bank, _____, F.S.B., as "Bank", Bomar Mortgage Acceptance Corporation, as "Borrower" (as _____ defined therein) ("Loan Agreement"), Borrower requests the temporary transfer of _____

the original Mortgage Note(s) as listed below to allow Borrower to make corrections to such Mortgage Notes. We acknowledge that these Mortgage Notes are being used as Mortgage Collateral for the warehouse line of credit established by the Loan Agreement.

Borrower	Loan Amount	Collateral Value
-----	-----	-----
_____	_____	_____
_____	_____	_____
_____	_____	_____

Borrower agrees to hold the Mortgage Notes in trust for Bank, as a custodian, bailee and agent for the benefit of Bank. Borrower agrees to do the following within fourteen (14) days of this date:

- (a) Return the Mortgage Notes to Bank, or
- (b) Pay to Bank the Collateral Value of the Mortgage Notes.

In the event Borrower is unable for any reason to comply with the terms of this Trust Receipt, Borrower shall immediately return the Mortgage Notes to Bank.

By accepting the Mortgage Notes, Borrower shall be bound by the terms of this Trust Receipt and Bailee Letter. Bank requests that Borrower acknowledge the receipt of the Mortgage Notes and this Trust Receipt and Bailee Letter by signing below. Capitalized terms not defined herein are used as defined in the Loan Agreement.

REQUESTED BY:

HOMEOWNERS MORTGAGE & EQUITY, INC.
D/B/A HOME, INC.

By: _____
Name: _____
Title: _____

EXHIBIT "G"

EXISTING INDEBTEDNESS

EXHIBIT H

CERTIFICATE ACCOMPANYING

FINANCIAL STATEMENTS

Reference is made to that certain Loan Agreement dated as of June 1, 1996 (as from time to time amended, the "Agreement"), by and between HOMEOWNERS MORTGAGE & EQUITY, INC. D/B/A HOME, INC. ("Borrower") and GUARANTY FEDERAL BANK, F.S.B. ("Bank"), which Agreement is in full force and effect on the date hereof. Terms which are defined in the Agreement are used herein with the meanings given them in the Agreement.

This Certificate is furnished pursuant to Sections 6.01(a) or 6.01(b) of the Agreement. Together herewith Borrower is furnishing to Bank Borrower's audited annual financial statements or monthly financial statement (the "Financial Statements") dated _____ (the "Reporting Date"). Borrower hereby represents, warrants, and acknowledges to Bank that:

- (a) the officer of Borrower signing this instrument is the duly elected, qualified and acting _____ of Borrower and as such is Borrower's chief financial officer;
- (b) the Financial Statements are accurate and complete and satisfy the requirements of the Agreement;
- (c) attached hereto is Schedule H-1 showing Borrower's compliance as of the Reporting Date with the requirements of Sections 7.02, 7.06, 7.09, 7.10, 7.12, 7.13, 7.14, 7.15 and 7.16 of the Agreement and Borrower's non-compliance as of such date with the requirements of Section(s) _____ of the Agreement;

(d) on the Reporting Date Borrower was, and on the date hereof Borrower is, in full compliance with the disclosure requirements of Section 6.01 of the Agreement, and no Default otherwise

existed on the Reporting Date or otherwise exists on the date of this instrument [except for Default(s) under Section(s) _____ of the Agreement, which (is/are) more fully described on a schedule attached hereto).

The officer of Borrower signing this instrument hereby certifies that he has reviewed the Loan Documents and the Financial Statements and has otherwise undertaken such inquiry as is in his opinion necessary to enable him to express an informed opinion with respect to the above representations, warranties and acknowledgments of Borrower and, to the best of his knowledge, such representations, warranties, and acknowledgments are true, correct and complete.

IN WITNESS WHEREOF, this instrument is executed as of _____, 19_____.

HOMEOWNERS MORTGAGE & EQUITY, INC.
D/B/A HOME, INC., a Delaware corporation

By: _____
John Ballard,
President

STATE OF TEXAS (S)
(S)
COUNTY OF TRAVIS (S)

This instrument was ACKNOWLEDGED before me the ____ day of _____, 199__, of HOMEOWNERS MORTGAGE & EQUITY, INC. D/B/A HOME, INC., a Delaware corporation, on behalf of said corporation.

Notary Public - State of Texas

My Commission expires:

Printed Name of Notary

EXHIBIT H

Schedule H-1

Financial Covenants -----	Required -----	Actual or ----- [IN COMPLIANCE]* -----
1) No Merger [7.01]:		[YES] or [NO]
2 Limitation on Indebtedness of Borrower [7.02]:		[YES] or [NO] *
3) Negative Pledge [7.05]:		[YES] or [NO] *
4) Loans, Advances and Investments of Borrower and Affiliates [7.06]:		[YES] or [NO] *
5) Operational Changes [7.09]:		[YES] or [NO] *
6) Compliance with ERISA [7.10]:		[YES] or [NO] *
7) Net Worth of Borrower [7.11]:	Not less than \$500,000 plus 7.11(a) & (b)	_____
8) Adjusted Tangible Net Worth of Borrower [7.13]:	Not less than \$500,000 HUD, FNMA, GNMA, FHLMC minimum	_____

- 9) Adjusted Tangible Net Worth of Borrower [7.13]: Not less than \$5000,000 Plus 7.13(a) & (b) _____
- 10) Total Liabilities to Adjusted Tangible Net Worth [7.14]: Not less than 10.0 to 1.0 _____
- 11) Management [7.15]: [YES] or [NO] *
- 12) Interested Transactions [7.16]: [YES] or [NO] *
- 13) Transfer of Stock [7.17] [YES] or [NO] *

HOMEOWNERS MORTGAGE & EQUITY, INC.
D/B/A HOME, INC., a Delaware corporation

By: _____

[Date]

STATE OF TEXAS (S)
(S)
COUNTY OF TRAVIS (S)

This instrument was ACKNOWLEDGED before me the ____ day of _____, 199__, by _____, _____ of HOMEOWNERS MORTGAGE & EQUITY, INC. D/B/A HOME, INC., a Delaware corporation, on behalf of said corporation.

Notary Public - State of Texas

My Commission expires:

Printed Name of Notary

EXHIBIT "L"

COMPLIANCE CERTIFICATE

Reference is made to that certain Loan Agreement dated as of June 1, 1996 (the "Loan Agreement"), between HomeOwners Mortgage & Equity, Inc. d/b/a Home, _____ Inc., a Delaware corporation ("Borrower") and Guaranty Federal Bank, F.S.B. _____

("Bank"). Terms which are defined in the Loan Agreement and which are used but -----

not defined herein shall have the meanings given them in the Loan Agreement. The undersigned, _____ does hereby certify that he/she has made a thorough inquiry into all matters certified herein and, based upon such inquiry, experience, and the advice of counsel, does hereby further certify that:

1. He/she is the duly elected, qualified, and acting President or Chief Financial Officer of Borrower.

2. All representations and warranties made by Borrower in any Loan Document delivered on or before the date hereof are true on and as of the date hereof as if such representations and warranties had been made as of the date hereof.

3. No Default or Event of Default exists on the date hereof.

4. Borrower has performed and complied with all agreements and conditions required in the Loan Documents to be performed or complied with by it on or prior to the date hereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of _____, 199__.

Name Title

STATE OF TEXAS (S)
(S)
COUNTY OF TRAVIS (S)

This instrument was ACKNOWLEDGED before me the ____ day of _____, 199__, by _____, in his/her capacity as _____ of HOMEOWNERS MORTGAGE & EQUITY, INC. D/B/A HOME, INC., a Delaware corporation, on behalf of said corporation.

Notary Public - State of Texas

My Commission expires: _____
----- Printed Name of Notary

EXHIBIT "M"

INTEREST RATE ELECTION NOTICE

Reference is made to that certain Loan Agreement dated as of _____, 1996 (the "Loan Agreement"), between HomeOwners Mortgage & Equity, Inc. d/b/a _____ Home, Inc., a Delaware corporation ("Borrower") and Guaranty Federal Bank, _____ F.S.B. ("Bank"). Terms which are defined in the Loan Agreement and which are _____ used but not defined herein shall have the meanings given them in the Loan Agreement. The undersigned is the duly elected qualified and acting officer of Borrower. Pursuant to Paragraph 2.04(a) Borrower hereby elects to treat the _____ month of _____, 199__, as a:

Base Rate Month

or

Federal Funds Rate Month.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the _____, 199__.

HOMEOWNERS MORTGAGE & EQUITY, INC.
D/B/A HOME, INC., a Delaware corporation

By: _____
Name: _____
Title: _____

FIRST AMENDMENT TO THE LOAN AGREEMENT

This FIRST AMENDMENT TO THE LOAN AGREEMENT ("Agreement") is made

effective as of, although not necessarily on, the 9th day of July, 1996, by and between GUARANTY FEDERAL BANK, F.S.B., a federal savings bank ("Bank") and

HOMEOWNERS MORTGAGE & EQUITY, INC., a Delaware corporation, d/b/a HOME, INC. ("Borrower")

W I T N E S S E T H :

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WHEREAS, on June 1, 1996, Borrower and Bank entered into that certain Warehouse Loan Agreement (together with all amendments, modifications and restatements thereof, the "Loan Agreement") dated of even date therewith

providing for a \$2,000,000.00 credit facility (together with all increases, collectively, the "Loan").

WHEREAS, in connection with the execution of the Loan Agreement, Borrower executed that certain Promissory Note dated of even date (the "Note"),

that certain Security Agreement ("Security Agreement") was executed by Borrower

and Bank and a Financing Statement filed with the Secretary of State of Texas (the "Financing Statement");

WHEREAS, Bank and Borrower desire to amend the Loan Documents to reflect certain changes to the Loan Agreement. All terms not defined herein are used as defined in the Loan Agreement.

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Bank and Borrower hereby agree as follows:

- 1. Loan Agreement. The following modifications are hereby made to

the Loan Agreement effective as of the date hereof:

(a) The first Whereas clause on page 1 of the Loan Agreement is hereby modified to read in its entirety:

"WHEREAS, Borrower has requested that Bank make a loan (the "Loan") to Borrower in the amount of \$10,000,000.00 to enable Borrower to originate and/or purchase conventional home improvement, second lien mortgage loans and Title I Loans;"

(b) The definition of "Collateral Value" appearing on page 3 is

hereby modified to read in its entirety:

"Collateral Value" shall mean as of any date of

determination, an amount equal to (y) with respect to Title I Loans which are Covered Mortgage Loans by virtue of a FNMA Take-Out Commitment, ninety-eight percent (98%) and (z) with respect to Title I Loans sold to the Investors other than FNMA and with respect to Non-Title I Loans, ninety-seven percent (97%), of the least of: (i) the actual out of pocket costs to Borrower of such Mortgage Collateral (or in the case of any Mortgage Note funded by Borrower, the original principal amount of such Mortgage Note minus any discount points paid to Borrower upon the closing of the loan evidenced by such Mortgage Note), or (ii) the Take-Out Value of such item of Mortgage Collateral, or (iii) at the option of Bank, the Market Value of such Mortgage Note; provided, however, that (a) in no event shall the calculation above cause Bank to fund an amount in excess of par for any Mortgage Loan, (b) any Mortgage Note which evidences a Title I Loan shall be utilized in the computation of Collateral Value for a maximum period of one hundred twenty (120) days, (c) any Mortgage Note which evidences a loan which is a Non-Title I Loan shall be utilized in the computation of

Collateral Value for a maximum period of ninety (90) days, (d) any Mortgage Note which is in default, shall be excluded from the computation of Collateral Value, (e) the cumulative Collateral Value attributable to Second Lien Mortgage Loans which are Conventional Loans shall be limited to \$2,000,000.00, and (f) the cumulative Collateral Value at any time attributable to Second Lien Mortgage Loans which are Conventional Loans other than (i) Conventional Home Improvement Loans, (ii) Conventional Purchase Money Second Lien Loans and (iii) Conventional Equity Recovery Loans, shall be limited to \$1,000,000.00."

(c) The definition of "Commitment" is hereby modified to read in its entirety:

"Commitment" as to Bank shall mean the obligation of Bank to

make Advances to Borrower pursuant to Section 2.01 hereof in an

aggregate amount not to exceed at any one time outstanding the amount of \$10,000,000.00."

(d) The definition of "Covered Mortgage Loan" is hereby modified

to read as follows in its entirety:

"Covered Mortgage Loan" means a Title I Loan, a Conventional

Loan, a Conventional Home Improvement Loan, a Conventional Purchase Money Second Lien Loan, or Conventional Equity Recovery Loan, with respect to which Borrower has a Take-Out Commitment (excluding Take-out Commitments issued by an Affiliate of Borrower)."

(e) The definition of "Delivery Commitment Certificate" is hereby

deleted.

(f) The definition of "Dry Advance" is hereby deleted.

(g) The definition of "Fixed Rate" is hereby modified to read as

follows in its entirety:

"Fixed Rate" shall mean a fixed rate of interest equal to

three and one half percent (3.5%) per annum."

(h) The definition of "Investor" is hereby modified to read as

follows in its entirety:

"Investor" shall mean any Person (other than an Affiliate of

Borrower), which may include GFB, approved by Bank in writing in
its sole discretion, including but not limited to those Investors
listed on Exhibit "D", who agrees to purchase Mortgage Notes

pursuant to a Take-Out Commitment."

(i) The following new definition is added in alphabetical order
to the definitions on page 8:

"Liquidity" shall mean the sum of the following: (a)

Borrower's cash plus (b) Net Collateral Surplus."

(j) The following new definition is added in alphabetical order
to the definitions on page 8:

"Master Take-Out Commitment" shall mean a Take-Out

Commitment from an Investor agreeing to purchase a specified
dollar amount of Mortgage Loans during a specified time period
provided such Mortgage Loans comply with the eligibility
requirements of Investor's loan program."

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(k) The definition of "Maximum Loan Amount" is hereby modified to

read as follows in its entirety:

"Maximum Loan Amount" means, at any time, the sum of

\$10,000,000.00."

(l) The definition of "Mortgage" is hereby modified to read as

follows in its entirety:

"Mortgage" shall mean a mortgage or deed of trust, on

standard forms approved by VA, FHA, FNMA or FHLMC or otherwise in form and substance satisfactory to Bank, granting a perfected first-priority (or second-priority in the case of a Second Lien Mortgage Loan or junior priority in the case of a secured Title I Loan) lien on residential real property consisting of land and a single family (1-4 family) dwelling thereon which is completed and ready for occupancy."

(m) The definition of "Mortgage Collateral" is hereby modified to

read as follows in its entirety:

"Mortgage Collateral" shall mean all Mortgage Notes and

those items described in the Credit Request, which Bank has accepted as Mortgage Collateral hereunder supported by the documentation specified herein, which meets continuously the following additional conditions: (i) which at all times constitute a Covered Mortgage Loan, (ii) which are made payable to the order of Borrower or have been endorsed (without restriction or limitation) payable to the order of Borrower, (iii) in which the Bank has been granted and continues to hold a perfected first-priority security interest, (iv) which are in form and substance acceptable to the Bank in its reasonable discretion, (v) which are secured by Mortgages, (vi) which, together with such Mortgages, conform in all respects with all the requirements for purchase of such Mortgage Notes under the Take-Out Commitments and are valid and enforceable in accordance with their respective terms, (vii) under which there shall be no default as to the payment of any installment of principal or interest, or other default, and foreclosure or other similar proceedings shall not have been commenced with respect thereto, (viii) there shall be no pending claim for any credits, allowance or adjustment with respect thereto, (ix) each Mortgage Loan is delivered to Bank not more than five (5) Business Days after the date of funding of such Mortgage Loan, (x) if required by applicable Appraisal Laws and Regulations, is covered by an Appraisal which complies with all applicable Appraisal Laws and Regulations and (xi) which are one of the following a Title I Loan (which may be unsecured if no collateral was taken for such loan), a Conventional Equity Recovery Loan, a Conventional Home Improvement Loan, a Conventional Purchase Money Second Lien Loan or a Second Lien Mortgage Loan."

(n) The definition of "Mortgage Loan" is hereby modified to read

as follows in its entirety:

"Mortgage Loan" means a loan represented by a Mortgage Note

which bears interest at either a Fixed Rate or an adjustable rate and which is collateralized or secured by a Mortgage (except in the case of a Title I Loan which is not secured by real property), provided that in no event shall Mortgage Note mean a promissory note evidencing a commercial loan."

(o) The definition of "Mortgage Note" is hereby modified to add

the following phrase: "a Title I Loan" after the word "evidencing" in

the first line of the definition.

(p) The following new definition is added in alphabetical order to the definitions on page 9:

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""Non-Title I Loan" shall mean a Conventional Loan which is a

Second Lien Mortgage Loan, a Conventional Equity Recovery Loan, a
Conventional Home Improvement Loan or a Conventional Purchase
Money Second Lien Loan not insured under Title I."

(q) The definition of "Operating Account" is hereby deleted.

(r) The definition of "Take-Out Commitment" is hereby modified to

read as follows in its entirety:

""Take-Out Commitment" for Non-Title I Loans shall mean a

current, valid, binding and enforceable commitment to purchase
that specific Mortgage Note which constitutes Mortgage Collateral
(evidenced by the written pre-approval of that Mortgage Loan from
the Investor) within a period of not more than ninety (90) days
from the date of such Mortgage Note related thereto in an amount,
form and substance satisfactory to Bank in its reasonable
discretion, issued by an Investor and with respect to which there
shall be no condition which cannot be reasonably anticipated to be
satisfied or complied with prior to its expiration. For Title I
Loans Take-Out Commitment shall mean a current, valid, binding and
enforceable commitment to purchase that specific Mortgage Note
which constitutes Mortgage Collateral (evidenced by the written
pre-approval of that Mortgage Loan from the Investor) within a
period of not more than one hundred twenty (120) days from the
date of such Mortgage Note related thereto in an amount, form and
substance satisfactory to Bank in its reasonable discretion,
issued by an Investor and with respect to which there shall be no
condition which cannot be reasonably anticipated to be satisfied
or complied with prior to its expiration."

(s) The following new definition is added in alphabetical order to the definitions on page 12:

""Title I" means Title I of the National Housing Act in 1934,

12 U.S.C. 1703, as amended by the National Affordable Housing Act
of 1989 and the Housing and Community Development Act of 1992,"

(t) The following new definition is added in alphabetical order to the definitions on page 12:

""Title I Loan" means a Loan reasonably satisfactory to the

Bank, which conforms to the eligibility requirements established
by an Investor pursuant to the requirements of a Take-Out
Commitment acceptable to Bank and which is insured under Title I."

(u) The definition of "Wet Advance" is hereby deleted.

(v) Section 2.03 is hereby modified to read as follows in its

entirety:

"Section 2.03. Notice and Manner of Obtaining Borrowings.

Borrowings. Borrower shall give the Bank (i) prior to 9:00

p.m. (Dallas, Texas time) on the Business Day prior to a Borrowing
Date, telephonic or telecopy notice of the amount of such
requested Borrowing, (ii) written notice by means of a Credit
Request sent to Bank by telecopy or Federal Express and received
by Bank prior to 10:30 a.m. (Dallas, Texas time) on the Borrowing
Date in accordance with the provisions of Section 4.02 hereof and

(iii) original documents required pursuant to Section 3.02. The

Bank will make such funds available to the Borrower in accordance
with Section 3.06."

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(w) Section 2.04(c)(1)(a) is hereby modified to read "the sum of

the Funds Rate and three and one half percent (3.5%)".

(x) Section 2.04(c)(2)(a) is hereby modified to read as follows:

"the sum of the Base Rate and one and one half percent (1.5%)".

(y) Section 3.02(b) is hereby modified as follows to read in its

entirety:

"(b) the original filed copy, or a copy of the original filed
copy, certified by the Borrower (and if applicable the title
company that insured title to the mortgage property) as being true
and complete, of the Mortgage (or in the case of Title I Loan, if
applicable, the security agreement and financing statement as to
loans secured by personal property but not real property and
certificate of title in the case of Title I Loans secured by
manufactured homes) relating to each Mortgage Note;"

(z) Section 3.02(c) is hereby modified as follows to read in its

entirety:

"(c) an original assignment (leaving the name of the assignee
blank) executed by Borrower, for each Mortgage Note and the
Mortgage (or in the case of Title I Loans, if secured by personal
property, security agreement, financing statements and certificate
of title in the case of manufactured homes) securing such Mortgage
Note, in recordable form, and otherwise in form satisfactory to
the Bank [and if the Borrower is not the named payee on the face
of such Mortgage Note, copies (bearing evidence of recordation or

certification by the Borrower that such intervening assignment has been sent to the appropriate Governmental Authority for recordation) of all intervening assignments of such Mortgage Note and the related Mortgage (or in the case of Title I Loans, if secured by personal property, security agreement, financing statements and certificate of title in the case of manufactured homes)];"

(aa) Sections 3.02(d), (e) and the final paragraph of Section 3.02

are hereby modified to read as follows in their entirety:

"(d) Evidence satisfactory to Bank that all Mortgage Loans pledged as Collateral hereunder including those listed on the Collateral Schedule are Covered Mortgage Loans; and

(e) if applicable, a true and complete photocopy of the closing instructions executed by Borrower and the title company closing the transaction (which shall not be an Affiliate of Borrower) evidenced by such Mortgage Note, along with a copy of the title commitment, borrower's closing statement showing among other items payment of the title insurance policy premium and evidence of compliance with the Federal Truth in Lending Act and the Real Estate Settlement Procedures Act.

Borrower shall hold in trust for the Bank, with respect to each Mortgage Note if applicable, a mortgagee policy of title insurance insuring Borrower's perfected, first-priority Lien (and in the case of a Second Lien Mortgage Loan, a second-priority lien and in the case of a Title I Loan, a junior lien) created by the Mortgage securing such Mortgage Note, if applicable, the original insurance policies referred to in Section 6.06 hereof, if required by Appraisal Laws and Regulations, an Appraisal complying with the Appraisal Laws and Regulations and all other original documents executed in connection with such Mortgage Note and not delivered to the Bank, and shall specifically identify such items in the Credit Request and upon request of the Bank shall immediately deliver such items to the Bank. The Bank in its reasonable discretion may reject

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as unsatisfactory any items so delivered and in such event such Mortgage Loans shall have a Collateral Value of zero."

(bb) Section 3.04(f)(1) is hereby modified to read as follows in

its entirety:

"(1) Within the earlier to occur of (A) the date in which the time limit provided in the applicable Take-Out Commitment with respect to any Mortgage Loan expires or (B) the date that is (I) ninety (90) days for Non-Title I Loans and one hundred twenty (120) days for Title I Loans, following the date of delivery to the Bank for any type of Mortgage Loan such Mortgage Loan shall not have been sold or exchanged for other Mortgage Collateral; or the issuer of such Take-Out Commitment shall decline to purchase such Mortgage Loan for any reason, including without limitation, for the reason that such Mortgage Loan was not made in compliance

with applicable federal and/or state laws or regulations; or"

(cc) Section 3.04(f) (5) is hereby modified to read as follows in

its entirety:

"(5) Any Mortgage deposited as Mortgage Collateral shall not continue to be (A) a valid and enforceable first Lien (or second Lien in the case of Second Lien Mortgage Loans, Conventional Equity Recovery Loan, Conventional Home Improvement Loan, or Conventional Purchase Money Second Lien Loan or a junior lien in the case of Title I Loans) on the mortgaged property covered thereby, and in compliance with all laws applicable thereto, (B) if applicable, insured in favor of Borrower and its assignees by a reputable, duly licensed title insurance company acceptable to the Bank under a policy of title insurance in the full amount of the loan related thereto, (C) in full force and effect, and (D) fully serviced by or for Borrower (including the collection of all amounts due thereon); or"

(dd) Section 3.04(f) (9) is hereby deleted and "; or" at the end of

Section 3.04(f) (8) is replaced with a period.

(ee) The references to "Operating Account" in Section 3.06 in the

title and preliminary paragraph are hereby deleted.

(ff) Section 3.06(c) is hereby modified to read as follows in its

entirety:

"[INTENTIONALLY DELETED]"

(gg) Sections 3.06(f), (g) and (h) are hereby deleted and replaced

with the following subparagraphs:

"(f) proceeds of Advances shall be wired directly from the Funding Account to Borrower's operating account at Frost National Bank, San Antonio, Texas ABA #114000093, Credit: Home, Inc. Account #591044583; and

(g) proceeds from the redemption of Mortgage Collateral shall be deposited in the Settlement Account."

(hh) Section 3.07(a) is hereby modified to replace the phrase "and

(vi) any consumer protection laws;" with the phrase "(vi) any consumer protection laws, and (vii) in the case of a Title I Loan, that such Mortgage Loan complies in all respects with the requirements of Title I and is presently insured under Title I;"

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(ii) Section 3.07(d) is hereby modified to read as follows in its

entirety:

"(d) the Mortgage related to such Mortgage Note creates a perfected first-priority Lien (or second-priority Lien in the case of Second Lien Mortgage Loan, Conventional Equity Recovery Loan, Conventional Home Improvement Loan, or Conventional Purchase Money Second Lien Loan or in the case of a Title I Loan, a junior lien) on residential real property consisting of land and a one-to-four family dwelling thereon which is completed and ready for occupancy and such Mortgage, the title policy relevant thereto and the other Mortgage documents relevant thereto comply in all respects with the requirements of the Investor under the Take-Out Commitment by which such Mortgage Note is "covered;"

(jj) Section 3.08 is hereby modified to read as follows in its

entirety:

"Section 3.08 Borrower Appointed Agent. The Bank hereby

appoints the Borrower (and, in the case of any loan evidenced by a Mortgage Note originated by a Person other than the Borrower, also appoints such other Person) as its agent for purposes of (a) obtaining Appraisals if required by Appraisal Laws and Regulations and (b) complying with Appraisal Laws and Regulations."

(kk) Section 4.02(c) is hereby modified to read as follows in its

entirety:

"(c) along with each Credit Request, Borrower shall deliver to the possession of the Bank originals of all the items required to be delivered to the Bank by Section 3.02;"

(ll) Section 4.02(g) is hereby modified to read as follows in its

entirety:

"(g) the Funding Account and the Settlement Account shall be established and in existence; and"

(mm) Section 4.02(h) is hereby deleted.

(nn) Section 5.23 is hereby modified to read as follows in its

entirety:

"Section 5.23 Eligibility. Borrower is an eligible FHA Title

I mortgagee and a FNMA seller/servicer for Title I Loans."

(oo) Section 6.01(a) is hereby modified to replace the deadline of

"one hundred twenty (120) days" appearing in the first line with the deadline of "ninety (90) days".

(pp) Section 6.01(d)(iii) is hereby modified to replace the phrase

"and cost of servicing" at the end of such subsection with the phrase

"cost of servicing, claims filed, claims paid and claims rejected".

(qq) Section 6.16 is hereby modified to read as follows in its

entirety:

"Section 6.16 Maintenance of Collateral. Borrower will keep

and maintain at all times each Mortgage securing the Mortgage Notes constituting Mortgage Collateral or other instruments or documents evidencing Mortgage Collateral held by or for Bank (i) as a valid and enforceable lien on the mortgaged property covered thereby if a secured Mortgage Loan, enforceable and in compliance with all laws applicable thereto; (ii) if applicable, insured in favor of Borrower and its assignees by a reputable, duly licensed title insurance company (which is not an Affiliate of Borrower), under a mortgagee policy of title insurance in the full amount of the loan related

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thereto; and (iii) in full force and effect, without any default. If applicable, the improvements on the land covered by each Mortgage relating to a Mortgage Note constituting Mortgage Collateral shall be kept continuously insured at all times by reasonable insurance companies against fire and extended coverage hazards under policies, binders, letters, or certificates of insurance, with a standard mortgagee clause in favor of Borrower and its assigns. Borrower shall, and does hereby, assign all such insurance, if applicable, to the Bank only so long as the related Mortgage Note shall constitute Mortgage Collateral. Each such policy must be in an amount equal to the lesser of the maximum insurable value of the improvements or the original principal amount of the Mortgage, without reduction by reason of any co-insurance, reduced rate contribution, or similar clause of the policies or binders."

(rr) Section 6.23 is hereby modified to read as follows in its

entirety:

"Section 6.23 Appraisals. If applicable, the Borrower shall

obtain and maintain a copy of an Appraisal with respect to the underlying property covered by each Mortgage included as Mortgage Collateral, shall require that all Appraisals delivered to Borrower in connection with the Mortgage Loans constituting Mortgage Collateral (whether originated by the Borrower or purchased by Borrower) comply in all respects with the Appraisal Laws and Regulations, shall implement and maintain administrative and operating procedures which permit the Borrower, the Bank to verify such compliance."

(ss) Section 7.06(d) is hereby modified to replace the figure of

"\$75,000.00" with the figure of "\$100,000.00".

(tt) Section 7.11 is hereby modified to replace the figure of

"\$500,000.00" appearing in part (a) with the figure, "\$3,000,000.00".

(uu) Section 7.13 is hereby modified to replace the figure of

"\$500,000.00" appearing in part (a) with the figure "\$3,000,000.00".

(vv) Section 7.14 is hereby modified to replace the ratio of "10.0

to 1.0" with the ratio of "3.5 to 1.0".

(ww) The following new paragraph Section 7.20 Liquidity. is hereby

added:

"Liquidity. Borrower at all times shall maintain a minimum

Liquidity of no less than \$500,000.00."

(xx) The listing of "Exhibits" is hereby modified to read as shown
on the page entitled "Exhibits" attached hereto and incorporated
herein by this reference.

(yy) Exhibit "A" is hereby modified to read as shown on Exhibit

"A" attached hereto and incorporated herein by this reference.

(zz) Exhibit "B" is hereby deleted.

(ab) Exhibit "C" is hereby modified to read as shown on Exhibit

"C" attached hereto and incorporated herein by this reference.

(ac) Exhibit "D" is hereby added and reads as shown on Exhibit "D"

attached hereto and incorporated herein by this reference.

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(ad) Exhibit "G" is hereby modified to read as shown on Exhibit

"E" attached hereto and incorporated herein by this reference.

(ae) Exhibit "H" is hereby modified to read as shown on Exhibit

"F" attached hereto and incorporated herein by this reference.

2. Note. Borrower shall execute a new promissory note in the form

shown on Exhibit "C" and incorporated herein by this reference.

3. Security Agreement. The Security Agreement is modified as

follows:

(a) The following new definition is added in alphabetical order:

"FHA Receivables" shall mean any and all claims of Borrower

against the United States Department of Housing and Urban
Development for payment of a claim filed by Borrower relating to a
Title I Loan serving as Collateral hereunder."

(b) The following new definition is added in alphabetical order:

"Title I" means Title I of the National Housing Act in 1934,

12 U.S.C. 1703, as amended by the National Affordable Housing Act
of 1989 and the Housing and Community Development Act of 1992."

(c) The following new definition is added in alphabetical order
to the definitions on page 12:

"Title I Loan" means a Loan reasonably satisfactory to the

Bank, which conforms to the eligibility requirements established
by an Investor pursuant to the requirements of a Take-Out
Commitment acceptable to Bank and which is insured under Title I .

(d) Section 2(e) is hereby modified to add the phrase "FHA

Receivables" after the phrase "including, without limitation,"

4. Financing Statements. Borrower shall execute an UCC-3 modifying

the existing financing statement in the form attached hereto as Exhibit "G".

5. Commitment Fee. The Borrower shall pay on or before July 1, 1996

the commitment fee due on such date pursuant to Section 11.02 of the Loan

Agreement in the amount of \$3,125.00.

6. [INTERNATIONALLY DELETED]

7. Closing Letter. Borrower shall execute a closing letter in the

form attached hereto as Exhibit "H".

8. Acknowledgement by Borrower. Except as otherwise specified herein,

the terms and provisions of the Loan Documents are ratified and confirmed and
shall remain in full force and effect, enforceable in accordance with their
terms. Borrower hereby acknowledges, agrees and represents that (i) Borrower is
indebted to the Bank pursuant to the terms of the Note; (ii) the liens, security
interests and assignments created and evidenced by the Loan Documents are,
respectively, valid and subsisting liens, security interests and assignments of
the

respective dignity and priority recited in the Loan Documents; (iii) the

representations and warranties contained in the Loan Documents are true and correct representations and warranties of Borrower, as of the date hereof and no defaults exist under the Loan Documents; and (iv) Borrower has no set-offs, counterclaims, defenses or other causes of action against the Bank arising out of the Loan Documents, the modification and extension of the Loan, any documents mentioned herein or otherwise and to the extent any such set-offs, counterclaims, defenses or other causes of action may exist, whether known or unknown, such items are hereby waived by Borrower.

9. No Waiver of Remedies. Nothing contained in this Agreement shall

prejudice, act as, or be deemed to be a waiver of any right or remedy available to the Bank by reason of the occurrence or existence of any fact, circumstance or event constituting a default under the Note or the other Loan Documents.

10. Costs and Expenses. Contemporaneously with the execution and

delivery hereof, Borrower shall pay, or cause to be paid, all costs and expenses incident to the preparation, execution and recordation hereof and the consummation of the transaction contemplated hereby, including, but not limited to, recording fees and reasonable fees and expenses of legal counsel to the Bank. The attorney's fees and expenses of the Bank's law firm, Jackson & Walker, L.L.P., shall be paid simultaneously with the execution of this Agreement.

11. Additional Documentation. From time to time, Borrower shall

execute or procure and deliver to Bank such other and further documents and instruments evidencing, securing or pertaining to the Loan or the Loan Documents as shall be reasonably requested by the Bank so as to evidence or effect the terms and provisions hereof.

12. Effectiveness of the Loan Documents. Except as expressly

modified by the terms and provisions hereof, each of the terms and provisions of the Loan Documents are hereby ratified and shall remain in full force and effect; provided, however, that any reference in any of the Loan Documents to the Loan, the amount constituting the Loan, any defined terms, or to any of the other Loan Documents shall be deemed, from and after the date hereof, to refer to the Loan, the amount constituting the Loan, defined terms and to such other Loan Documents, as modified hereby.

13. GOVERNING LAW. THE BORROWER HEREBY AGREES THAT THE OBLIGATIONS

CONTAINED HEREIN ARE PERFORMABLE IN DALLAS COUNTY, TEXAS. ALL PARTIES HERETO AGREE THAT (I) ANY ACTION ARISING OUT OF THIS TRANSACTION MAY BE FILED IN DALLAS COUNTY, TEXAS, (II) VENUE FOR ENFORCEMENT OF ANY OF THE OBLIGATIONS CONTAINED IN THE LOAN DOCUMENTS SHALL BE IN DALLAS COUNTY, TEXAS, (III) PERSONAL JURISDICTION SHALL BE IN DALLAS COUNTY, TEXAS, (IV) ANY ACTION OR PROCEEDING UNDER THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT MAY BE COMMENCED AGAINST BORROWER IN DALLAS COUNTY, (V) SUCH ACTION MAY BE INSTITUTED IN THE COURTS OF THE STATE OF TEXAS LOCATED IN DALLAS COUNTY, TEXAS OR IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF TEXAS LOCATED IN DALLAS COUNTY, TEXAS, AT THE OPTION OF THE BANK AND (VI) THE BORROWER HEREBY WAIVES ANY OBJECTION TO THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING AND ADDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO BE SUED ELSEWHERE. NOTHING HEREIN SHALL AFFECT THE RIGHT OF EACH BANK TO ACCOMPLISH SERVICE OF PROCESS IN ANY OTHER MANNER PERMITTED BY LAW.

14. Time. Time is of the essence in the performance of the covenants

contained herein and in the Loan Documents.

15. Binding Agreement. This Agreement and the Loan Documents shall be

binding upon the heirs, executors, administrators, personal representatives, successors and assigns of the parties hereto; provided, however, the foregoing shall not be deemed or construed to (i) permit, sanction, authorize or condone the assignment of all or any part of the Collateral or any of Borrower's rights, titles or interest in and to the Collateral or any rights,

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titles or interests in and to Borrower, except as expressly authorized in the Loan Documents, or (ii) confer any right, title, benefit, cause of action or remedy upon any person or entity not a party hereto, which such party would not or did not otherwise possess.

16. Headings. The section headings hereof are inserted for

convenience of reference only and shall in no way alter, amend, define or be used in the construction or interpretation of the text of such section.

17. Construction. Whenever the context hereof so required,

reference to the singular shall include the plural and likewise, the plural shall include the singular; words denoting gender shall be construed to mean the masculine, feminine or neuter, as appropriate; and specific enumeration shall not exclude the general but shall be construed as cumulative of the general recitation.

18. Counterparts. To facilitate execution, this Agreement may be

executed in as many counterparts as may be convenient or required. It shall not be necessary that the signature and acknowledgement of, or on behalf of, each party or that the signature and acknowledgement of all persons required to bind any party appear on each counterpart. All counterparts shall collectively constitute a single document containing the respective signatures and acknowledgement of, or on behalf of, each of the parties hereto. Any signature and acknowledgement page to any counterpart may be detached from such counterpart without impairing the legal effect of the signatures and acknowledgements thereon and thereafter attached to another counterpart identical thereto except having attached to it additional signature and acknowledgement pages.

THIS AGREEMENT AND THE LOAN DOCUMENTS COLLECTIVELY REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

EXECUTED as of the date first above written.

BANK:

GUARANTY FEDERAL BANK, F.S.B.,
a federal savings bank

By: /s/W. James Meintjes

W. James Meintjes,
Assistant Vice President

BORROWER:

HOMEOWNERS MORTGAGE & EQUITY, INC.,
a Delaware corporation d/b/a HOME, INC.

By:/s/Tommy M. Parker

Tommy M. Parker,
Executive Vice President

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STATE OF TEXAS (S)
(S)
COUNTY OF DALLAS (S)

This instrument was ACKNOWLEDGED before me the 12th day of July, 1996, by W. James Meintjes, Assistant Vice President of GUARANTY FEDERAL BANK, F.S.B., a federal savings bank, on behalf of said bank.

/s/Jean Turner

Notary Public - State of Texas

My Commission expires:
1-13-97

JEAN TURNER

Printed Name of Notary

[NOTARY PUBLIC SEAL]

STATE OF TEXAS (S)
(S)
COUNTY OF TRAVIS (S)

This instrument was ACKNOWLEDGED before me the 9 day of July, 1996, by Tommy M. Parker, Executive Vice President of HOMEOWNERS MORTGAGE & EQUITY, INC. d/b/a Home, Inc., a Delaware corporation, on behalf of said corporation.

/s/Glenda Houchin

Notary Public - State of Texas

My Commission expires:

GLEENDA HOUCHIN

Printed Name of Notary

[NOTARY PUBLIC SEAL]

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Exhibits:

- "A" -- Mortgage Warehouse Credit Request
- "B" -- [Intentionally Deleted]
- "C" -- Form of Promissory Note
- "D" -- Investors
- "E" -- Bailee Letter
- "F" -- Trust Receipt and Bailee Letter
- "G" -- Existing Indebtedness
- "H" -- Certificate Accompanying Financial Statements
- "I" -- [Intentionally Deleted]
- "J" -- [Intentionally Deleted]
- "K" -- [Intentionally Deleted]
- "L" -- Compliance Certificate
- "M" -- Interest Rate Election Notice

EXHIBIT "A"

MORTGAGE WAREHOUSE CREDIT REQUEST

From: HomeOwners Mortgage & Equity, Inc. d/b/a Home, Inc.
 6836 Austin Center Blvd.
 Suite 280
 Austin, Texas 78731
 Phone (512) 343-8911
 Fax (512) 343-1837

TO: Guaranty Federal Bank, F.S.B.

1. HOMEOWNERS MORTGAGE & EQUITY, INC. D/B/A HOME, INC. requests an Advance in the amount and on the date specified from the Bank (cumulatively, a "Borrowing") in the cumulative amount and on the date herein specified,

 pursuant to the Warehouse Loan Agreement among Borrower, GUARANTY FEDERAL BANK, F.S.B. ("Bank"), dated as of June 1, 1996, as amended to date (the ----
 "Agreement"), and hereby grants to Bank, in accordance with the provisions

 of that certain Security Agreement, dated as of even date with the Agreement, between Borrower and the Bank, as amended to date, a security interest and Lien in the Mortgage Collateral described on the attached schedule. Capitalized terms used herein and defined in the Agreement shall be used herein as so defined.

2. (a) Borrowings requested:

(i) Borrower hereby requests a Borrowing in the principal amount of \$_____.

(ii) Requested Borrowing Date: _____, 199__.

(iii) Borrower hereby grants to the Bank a security interest in each Mortgage Note described on Schedule I attached hereto.

(b) Requirement of Agreement: Maximum of \$2,000,000 comprised of Second Lien Mortgage Loans which are Conventional Loans.

Requirement satisfied _____.

Requirement not satisfied _____.

(c) Requirement of Agreement: Maximum of \$1,000,000.00 [of \$2,000,000.00 in (c)] comprised of Second Lien Mortgage Loans other than Conventional Equity Recovery Loans, Conventional Purchase Money Second Lien Loans and Conventional Home Improvements Loans.

Requirement satisfied _____.

Requirement not satisfied _____.

3. The undersigned officer of Borrower represents and warrants to the Bank:

(a) Borrower is entitled to receive the requested Borrowing under the terms and conditions of the Agreement;

(b) all items which Borrower is required to furnish to the Bank pursuant to the Agreement accompany this Credit Request;

(c) all Mortgage Collateral offered hereby conforms in all respects with the applicable requirements set forth in the Agreement and the Security Agreement;

(d) no Default has occurred and is continuing under the Agreement;

(e) no change or event which constitutes a Material Adverse Effect has occurred;

(f) each Mortgage Loan has been closed and funded with advance(s) (an "Advance") made by the Bank pursuant to the Agreement, such Advance

constituting "new value" as that term is used in Section 9.304(d) of _____
the Texas Business and Commerce Code (or the corresponding provision of the Code of any other applicable jurisdiction).

(g) Bank has a first perfected security interest in and first lien upon said Mortgage Loan, including, without limitation, in the promissory note evidencing such Mortgage Loan (the "Mortgage Note").

(h) the Mortgage Note and all other documents, instruments and agreements

required to be delivered to Bank pursuant to Section 2.03 of the

Agreement with respect to such Mortgage Loan (the "Required

Documents"), have been delivered to Bank.

Borrower hereby acknowledges and agrees that any Advance relating to the Mortgage Loan described below is secured by all Collateral in which Bank has a security interest under the Agreement and Loan Documents.

4. Borrower represents and warrants that Borrower holds with respect to each of the Mortgage Notes hereby offered the following:
- (a) unless delivered herewith, the original filed copy of the Mortgage relating to such Mortgage Note;
 - (b) if applicable, mortgagee policies of title insurance conforming to the requirements of the Bank or binding commitments for the issuance of same;
 - (c) if applicable, insurance policies insuring the mortgaged premises as required by the Bank; and
 - (d) unless delivered herewith, an original executed Take-Out Commitment relating to such Mortgage Note.

Borrower agrees that it holds the above items in trust for the Bank, and will at any time deliver the same to the Bank upon request or, upon written instructions from the Bank, to any Person designated by the Bank. Borrower further agrees that it will not deliver any of the above items, nor give, transfer, or assign any interest in same, to any Person other than the Bank (or the Person or Persons designated by the Bank) without the prior written consent of the Bank.

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5. The representations and warranties of Borrower contained in the Agreement and those contained in each other Loan Document to which Borrower is a party are true and correct in all respects on and as of the date hereof.

HomeOwners Mortgage & Equity, Inc.
d/b/a Home, Inc.,
a Delaware corporation

Date: _____, 199__

By: _____
Tommy M. Parker,
Executive Vice President

STATE OF TEXAS (S)
(S)
COUNTY OF TRAVIS (S)

This instrument was ACKNOWLEDGED before me the ____ day of _____, 199__, by Tommy M. Parker, Executive Vice President of HOMEOWNERS MORTGAGE &

EQUITY, INC. D/B/A HOME, INC., a Delaware corporation, on behalf of said corporation.

Notary Public - State of Texas

My Commission expires:

Printed Name of Notary

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SCHEDULE I
MORTGAGE NOTES

<TABLE>
<CAPTION>

Type of Loan	Date	Original Principal Amount	Collateral Value	Maker	Payee	Interest Rate	Maturity Date	Loan Number
----	----	-----	-----	----	-----	----	----	-----
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>

</TABLE>

LEGEND:

- FNMA - Title I loans eligible for sale to FNMA (98% advance rate)
- Non-FNMA - Title I loans not eligible for sale to FNMA (97% advance rate)
- Conv./HIL - Conventional Home Improvement (97% advance rate)
- Conv./ERL - Conventional Equity Recovery (97% advance rate)
- Conv./PMS - Conventional Purchase Money Seconds (97% advance rate)
- Conv./Other - Conventional loans other the Conventional Home Improvement, Conventional Equity Recovery and Conventional Purchase Money Seconds (97% advance rate)

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Exhibit "C"

WAREHOUSE PROMISSORY NOTE

\$10,000,000.00

Dallas, Texas

July 9, 1996

FOR VALUE RECEIVED, the undersigned, HOMEOWNERS MORTGAGE & EQUITY, INC.

D/B/A HOME, INC., a Delaware corporation (herein called "Borrower"), hereby

promises to pay to the order of GUARANTY FEDERAL BANK, F.S.B., a federal savings bank (herein called "Bank"), the principal sum of TEN MILLION AND NO/100 DOLLARS

(\$10,000,000.00) or, if less, the aggregate unpaid principal amount of the Loan made under this Note by Bank to Borrower pursuant to the terms of the Loan Agreement (as hereinafter defined), together with interest on the unpaid principal balance thereof as hereinafter set forth, both principal and interest payable as herein provided in lawful money of the United States of America, for the account of Bank, at the offices of Guaranty Federal Bank, F.S.B. at 8333 Douglas Avenue, Dallas, Texas or at such other place within Dallas County, Texas or such other address as may be given to Borrower by the Bank.

This Note (a) is executed and delivered pursuant to that certain Warehouse Loan Agreement dated as of June 1, 1996 between Borrower and the Bank (herein, as from time to time supplemented, amended or restated, called the "Loan

Agreement"), and is the Warehouse Promissory Note and the Note as defined

therein, (b) is subject to the terms and provisions of the Loan Agreement, which contains provisions for payments and prepayments hereunder, acceleration of the maturity hereof upon the happening of certain stated events and the obligation of Bank to advance funds hereunder, and (c) is secured by and entitled to the benefits of certain Loan Documents (as identified and defined in the Loan Agreement). Payments on this Note shall be made and applied as provided herein and in the Loan Agreement. Interest shall be due and payable on each Interest Payment Date. Reference is hereby made to the Loan Agreement for a description of certain rights, limitations of rights, obligations and duties of the parties hereto and for the meanings assigned to terms used and not defined herein and to the Loan Documents for a description of the nature and extent of the security thereby provided and the rights of the parties thereto. All capitalized terms used herein and not otherwise defined herein shall have the meanings given thereto in the Loan Agreement. The holder of this Note shall be entitled to the benefits provided for in the Loan Agreement.

Interest shall be due and payable on the tenth day of each month, beginning July 10, 1996, and on any other Interest Payment Date. Interest shall accrue on the outstanding principal balance of this Note at the rates specified in the Loan Agreement.

The principal amount of this Note, together with all unpaid interest accrued hereon, shall be due and payable in full on January 31, 1997. All payments of principal of and interest upon this Note shall be made by Borrower to the Bank in federal or other immediately available funds. All payments made hereon shall be due and payable and applied in accordance with the Loan Agreement.

Notwithstanding the foregoing paragraph and all other provisions of this Note, in no event shall the interest payable hereon, whether before or after maturity, exceed the maximum amount of interest which, under applicable law, may be charged on this Note, and this Note is expressly made subject to the provisions of the Loan Agreement which more fully set out the limitations on how interest accrues hereon. In the event applicable law provides for a ceiling under Texas Revised Civil Statutes Annotated article 5069-1.04, that ceiling shall be the indicated rate ceiling and shall be used in this Note for calculating the Maximum Rate and for all other purposes. The term "applicable law" as used in this Note shall mean the laws of the State of Texas or the laws of the United States,

whichever laws allow the greater interest, as such laws now exist or may be changed or amended or come into effect in the future.

If this Note is placed in the hands of an attorney for collection after default, or if all or any part of the indebtedness represented hereby is proved, established or collected in any court of in any bankruptcy, receivership, debtor relief, probate or other court proceedings, Borrower and all endorsers, sureties and guarantors of this Note jointly and severally agree to pay reasonable attorneys' fees and collection costs to the holder hereof in addition to the principal and interest payable hereunder.

Borrower and all endorsers, sureties and guarantors of this Note hereby severally waive demand, presentment for payment, protest, notice of protest, notice of intention to accelerate the maturity of this Note, diligence in collecting, the bringing of any suit against any party and any notice of or defense on account of any extensions, renewals, partial payments or changes in any manner of or in this Note or in any of its terms, provisions and covenants, or any releases or substitutions of any security, or any delay, indulgence or other act of any trustee or any holder hereof, whether before or after maturity.

Borrower reserves the right to prepay the outstanding principal balance of this Note, in whole or in part at any time and from time to time without premium or penalty, in accordance with the terms of the Loan Agreement.

This Note is executed in modification (but not in extinguishment) of that certain Warehouse Promissory Note dated June 1, 1996 in the principal amount of \$2,000,000.00 executed by Borrower payable to the order of Bank.

THIS NOTE AND THE RIGHTS AND DUTIES OF THE PARTIES HERETO SHALL BE GOVERNED

BY THE LAWS OF THE STATE OF TEXAS, EXCEPT TO THE EXTENT THE SAME ARE GOVERNED BY

APPLICABLE FEDERAL LAW.

THIS NOTE AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

HOMEOWNERS MORTGAGE & EQUITY, INC. D/B/A
HOME, INC., a Delaware corporation

By: _____
Tommy M. Parker,
Executive Vice President

STATE OF TEXAS (S)
(S)
COUNTY OF TRAVIS (S)

This instrument was ACKNOWLEDGED before me the ____ day of July, 1996, by Tommy M. Parker, Executive Vice President of HOMEOWNERS MORTGAGE & EQUITY, INC. D/B/A HOME, INC., a Delaware corporation, on behalf of said corporation.

Notary Public - State of Texas

My Commission expires:

Printed Name of Notary

-3-

EXHIBIT "D"

INVESTORS

EXHIBIT "E"

EXHIBIT "G"

EXISTING INDEBTEDNESS

[NONE]

EXHIBIT "E"

EXHIBIT H

CERTIFICATE ACCOMPANYING

Reference is made to that certain Loan Agreement dated as of June 1, 1996 (as from time to time amended, the "Agreement"), by and between HOMEOWNERS MORTGAGE & EQUITY, INC. D/B/A HOME, INC. ("Borrower") and GUARANTY FEDERAL BANK, F.S.B. ("Bank"), which Agreement is in full force and effect on the date hereof.

Terms which are defined in the Agreement are used herein with the meanings given them in the Agreement.

This Certificate is furnished pursuant to Sections 6.01(a) or 6.01(b) of the Agreement. Together herewith Borrower is furnishing to Bank Borrower's audited annual financial statements or monthly financial statement (the "Financial Statements") dated _____ (the "Reporting Date"). Borrower hereby represents, warrants, and acknowledges to Bank that:

- (a) the officer of Borrower signing this instrument is the duly elected, qualified and acting _____ of Borrower and as such is Borrower's chief financial officer;
- (b) the Financial Statements are accurate and complete and satisfy the requirements of the Agreement;
- (c) attached hereto is Schedule H-1 showing Borrower's compliance as _____ of the Reporting Date with the requirements of Sections 7.01, 7.02, 7.05, 7.06, 7.09, 7.10, 7.11, 7.12, 7.13, 7.14, 7.15, 7.16, 7.17 and 7.20 of the Agreement and Borrower's non-compliance as _____ of such date with the requirements of Section(s) _____ of the Agreement;
- (d) on the Reporting Date Borrower was, and on the date hereof Borrower is, in full compliance with the disclosure requirements of Section 6.01 of the Agreement, and no Default otherwise _____ existed on the Reporting Date or otherwise exists on the date of this instrument [except for Default(s) under Section(s) _____ of the Agreement, which (is/are) more fully described on a schedule attached hereto).

The officer of Borrower signing this instrument hereby certifies that he has reviewed the Loan Documents and the Financial Statements and has otherwise undertaken such inquiry as is in his opinion necessary to enable him to express an informed opinion with respect to the above representations, warranties and acknowledgments of Borrower and, to the best of his knowledge, such representations, warranties, and acknowledgments are true, correct and complete.

IN WITNESS WHEREOF, this instrument is executed as of _____, 19____.

HOMEOWNERS MORTGAGE & EQUITY, INC.

By: _____
Tommy M. Parker
Executive Vice President

STATE OF TEXAS (S)
(S)
COUNTY OF DALLAS (S)

This instrument was ACKNOWLEDGED before me the ____ day of _____,
199__, by John Ballard, President of HOMEOWNERS MORTGAGE & EQUITY, INC. D/B/A
HOME, INC., a Delaware corporation, on behalf of said corporation.

Notary Public - State of Texas

My Commission expires: _____
Printed Name of Notary

EXHIBIT H

Schedule H-1

Financial Covenants -----	Required -----	Actual or ----- [IN COMPLIANCE]* -----
1) No Merger [7.01]:		[YES or NO]*
2) Limitation on Indebtedness of Borrower [7.02]:		[YES or NO]*
3) Negative Pledge [7.05]:		[YES or NO]*
4) Loans, Advances and Investments of Borrower and Affiliates [7.06]:		[YES or NO]*
5) Operational Changes [7.09]:		[YES or NO]*
6) Compliance with ERISA [7.10]:		[YES or NO]*
7) Net Worth of Borrower [7.11]:	Not less than \$3,000,000 plus 7.11(a) & (b)	_____
8) Tangible Net Worth of Borrower [7.02]:	Not less than HUD, FNMA, GNMA FHLMC minimum	_____
9) Adjusted Tangible Net		

Worth of Borrower [7.13]: Not less than \$3,000,000 plus 7.13(a) & (b) _____

10) Total Liabilities to Adjusted Tangible Net Worth [7.14]: Not less than 3.5 to 1.0 _____

11) Management [7.15]: [YES or NO]*

12) Interested Transactions [7.16]: [YES or NO]*

13) Transfer of Stock [7.17]: [YES or NO]*

14) Liquidity [7.20]: Not less than 500,000.00 _____

HOMEOWNERS MORTGAGE & EQUITY, INC.
D/B/A HOME, INC., A Delaware corporation

By: _____

[Date]

STATE OF TEXAS (S)
(S)
COUNTY OF TRAVIS (S)

This instrument was ACKNOWLEDGED before me the ____ day of _____. 199_, by _____, _____ of HOMEOWNERS MORTGAGE & EQUITY, INC. D/B/A HOME, INC., a Delaware corporation, on behalf of said corporation.

Notary Public - State of Texas

My Commission expires: _____
Printed Name of Notary

EXHIBIT "G"
TO BE FILED IN THE OFFICE OF THE SECRETARY OF STATE OF TEXAS
FINANCING STATEMENT CHANGE - UCC-3

This instrument is prepared as, and is intended to be, a Financing Statement, complying with the formal requisites therefor, as set forth in the Texas Business and Commerce Code, Article 9 (also known as the Texas Uniform Commercial Code - Secured Transactions) (the "Code"), and, in particular,

Section 9.402 thereof.

1. The name and address of the debtor ("Debtor") is:

HomeOwners Mortgage & Equity, Inc. d/b/a Home, Inc.
6836 Austin Center Blvd.
Suite 280
Austin, Texas 78731
Attention: Mr. Tommy M. Parker
Executive Vice President

2. The name and address of the secured party ("Secured Party") is:

Guaranty Federal Bank
8333 Douglas Avenue
Dallas, Texas 75225

3. Original Financing Statement Number is: 96-123685

3a. Original Date Filed is: June 25, 1996

4. A. AMENDMENT - THE FINANCING STATEMENT IS AMENDED AS SET FORTH IN ITEM 5 BELOW.

B. TOTAL ASSIGNMENT - ALL OF SECURED PARTY'S RIGHTS UNDER THE FINANCING STATEMENT HAVE BEEN ASSIGNED TO THE ASSIGNEE WHOSE NAME AND ADDRESS ARE SET FORTH IN ITEM 5 BELOW.

C. PARTIAL ASSIGNMENT - SOME OF SECURED PARTY'S RIGHTS HAVE BEEN ASSIGNED TO THE ASSIGNEE SHOWN IN ITEM 5 BELOW.

D. CONTINUATION - THE ORIGINAL STATEMENT IS STILL EFFECTIVE.

E. TOTAL RELEASE - THE SECURED PARTY RELEASES ALL OF THEIR INTEREST IN THE COLLATERAL.

F. PARTIAL RELEASE - THE SECURED PARTY RELEASES THE FOLLOWING COLLATERAL DESCRIBED IN ITEM 5 BELOW.

G. TERMINATION - THE SECURED PARTY(IES) OF RECORD NO LONGER CLAIMS A SECURITY INTEREST AND THE FINANCING STATEMENT IS TERMINATED.
=====

5. The Schedule of Collateral attached to the Original Financing Statement is amended as follows:

(a) The following new definition is added in alphabetical order:

"FHA Receivables" shall mean any and all claims of Borrower

against the United States Department of Housing and Urban Development for payment of a claim filed by Borrower relating to a Title I Loan serving as Collateral hereunder."

(b) The following new definition is added in alphabetical order:

""Title I" means Title I of the National Housing Act in 1934, 12

U.S.C. 1703, as amended by the National Affordable Housing Act of 1989 and the Housing and Community Development Act of 1992."

(c) The following new definition is added in alphabetical order to the definitions on page 12:

""Title I Loan" means a Loan reasonably satisfactory to the Bank,

which conforms to the eligibility requirements established by an Investor pursuant to the requirements of a Take-Out Commitment acceptable to Bank and which is insured under Title I.

(d) Subsection (e) is hereby modified to add the phrase "FHA

Receivables" after the phrase "including, without limitation,"

Dated the 9th day of July, 1996.

SIGNATURE OF DEBTOR:

HOMEOWNERS MORTGAGE & EQUITY, INC.
D/B/A HOME, INC., a Delaware corporation

By: _____
Tommy M. Parker,
Executive Vice President

SIGNATURE OF SECURED PARTY:

GUARANTY FEDERAL BANK, F.S.B.,
a federal savings bank

By: _____
W. James Meintjes,
Assistant Vice President

STATE OF TEXAS (S)
(S)
COUNTY OF TRAVIS (S)

This instrument was acknowledged before me on July ____, 1996, by Tommy M. Parker, in his capacity as Executive Vice President of HOMEOWNERS MORTGAGE & EQUITY, INC. D/B/A HOME, INC., a Delaware corporation, on behalf of said

corporation.

[S E A L]

Notary Public - State of Texas

My Commission Expires:

Printed Name of Notary Public

STATE OF TEXAS (S)
(S)
COUNTY OF DALLAS (S)

This instrument was acknowledged before me on July ____, 1996, by W. James Meintjes, in his capacity as Assistant Vice President of GUARANTY FEDERAL BANK, F.S.B., a federal savings bank, on behalf of said bank.

[S E A L]

Notary Public - State of Texas

My Commission Expires:

Printed Name of Notary Public

EXHIBIT "H"

HOMEOWNERS MORTGAGE & EQUITY, INC.
D/B/A HOME, INC.

July 9, 1996

Mr. W. James Meintjes
Assistant Vice President
Guaranty Federal Bank, F.S.B.
8333 Douglas Avenue, 10th Floor
Dallas, Texas 75225

Re: \$10,000,000.00 Warehouse Loan from Guaranty Federal Bank, F.S.B. to Homeowners Mortgage & Equity, Inc., a Delaware corporation, dba Home, Inc.

Gentlemen:

HomeOwners Mortgage & Equity, Inc., a Delaware corporation, dba Home, Inc. ("Borrower") hereby certifies to Guaranty Federal Bank, F.S.B., a federal

savings bank ("Bank") as follows. Capitalized terms used herein and defined in

the Loan Agreement dated as of June 1, 1996 by and between Borrower and Bank shall be used herein as so defined.

1. Borrower is in full compliance with all terms and conditions contained in the Agreement and the Loan Documents.
2. All representations and warranties of Borrower in the Agreement are true and correct as of the date hereof.
3. No Default exists under the Loan Documents and no event has occurred which with notice and/or the opportunity to cure would become a Default.

HOMEOWNERS MORTGAGE & EQUITY, INC.,
a Delaware corporation d/b/a HOME, INC.

By: _____
Tommy M. Parker,
Executive Vice President

STATE OF TEXAS (S)
(S)
COUNTY OF TRAVIS (S)

This instrument was ACKNOWLEDGED before me the ____ day of July, 1996, by Tommy M. Parker, Executive Vice President of HOMEOWNERS MORTGAGE & EQUITY, INC. d/b/a Home, Inc., a Delaware corporation, on behalf of said corporation.

Notary Public - State of Texas

My Commission expires:

Printed Name of Notary

SECOND AMENDMENT TO THE LOAN AGREEMENT

This SECOND AMENDMENT TO THE LOAN AGREEMENT ("Agreement") is made

effective as of, although not necessarily on, the 17th day of September, 1996,
by and between GUARANTY FEDERAL BANK, F.S.B., a federal savings bank ("Bank")

and HOMEOWNERS MORTGAGE & EQUITY, INC., a Delaware corporation, d/b/a HOME, INC.
("Borrower")

W I T N E S S E T H :

WHEREAS, on June 1, 1996, Borrower and Bank entered into that certain
Warehouse Loan Agreement (together with all amendments, modifications and
restatements thereof, the "Loan Agreement") dated of even date therewith

providing for a \$2,000,000.00 credit facility (together with all increases,
collectively, the "Loan") and that certain Promissory Note dated of even date

(the "Note"), that certain Security Agreement ("Security Agreement") and a

Financing Statement filed with the Secretary of State of Texas (the "Financing

Statement", such documents and all instruments and documents representing,

evidencing or securing the Loan are hereinafter collectively referred to as the
"Loan Documents");

WHEREAS, Bank and Borrower modified the Loan Documents on July 9, 1996
to increase the amount of the Loan to \$10,000,000.00 and make certain other
changes to the Loan Agreement;

WHEREAS, Bank and Borrower desire to amend the Loan Documents to
replace the figure of "\$10,000,000.00" with the figure of "\$11,000,000.00" to
temporarily increase the Bank's Commitment. All terms not defined herein are
used as defined in the Loan Agreement.

NOW, THEREFORE, for and in consideration of the premises and the

mutual covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Bank and Borrower hereby agree as follows:

1. Loan Agreement. The following temporary modification is hereby

made to the Loan Agreement effective as of the date hereof and expiring on September 25, 1996:

(a) The definition of "Commitment" is hereby modified to replace

the figure of "\$10,000,000.00" with the figure of "\$11,000,000.00".

2. Note. The following temporary modification is hereby made to the

stated amount of the Note; it shall increase to "\$11,000,000.00" effective as of the date hereof.

3. Acknowledgement by Borrower. Except as specified in paragraph

one, the terms and provisions of the Loan Documents are ratified and confirmed

and shall remain in full force and effect, enforceable in accordance with their terms. Borrower hereby acknowledges, agrees and represents that (i) Borrower is indebted to the Bank pursuant to the terms of the Note; (ii) the liens, security interests and assignments created and evidenced by the Loan Documents are, respectively, valid and subsisting liens, security interests and assignments of the respective dignity and priority recited in the Loan Documents; (iii) the representations and warranties contained in the Loan Documents are true and correct representations and warranties of Borrower, as of the date hereof and no defaults exist under the Loan Documents; and (iv) Borrower has no set-offs, counterclaims, defenses or other causes of action against the Bank arising out of the Loan Documents, the modification, any documents mentioned herein or otherwise and to the extent any such set-offs, counterclaims, defenses or other causes of action may exist, whether known or unknown, such items are hereby waived by Borrower.

4. Costs and Expenses. Contemporaneously with the execution and delivery

hereof, Borrower shall pay, or cause to be paid, all costs and expenses incident to the preparation and the consummation of the transaction contemplated hereby, including, but not limited to, recording fees and reasonable fees and expenses of legal counsel to the Bank which shall be paid simultaneously with the execution of this Agreement.

5. Time. Time is of the essence in the performance of the covenants

contained herein and in the Loan Documents.

6. Binding Agreement. This Agreement shall be binding upon the

administrators, personal representatives, successors and assigns of the parties hereto; provided, however, the foregoing shall not be deemed or construed to (i) permit the assignment of all or any part of the Collateral or any of Borrower's rights, titles or interest in and to the Collateral or any rights, titles or interests in and to Borrower, or (ii) confer any right, title, benefit, cause of action or remedy upon any person or entity not a party hereto, which such party would not or did not otherwise possess.

THIS AGREEMENT AND THE LOAN DOCUMENTS COLLECTIVELY REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

EXECUTED as of the date first above written.

BANK:

GUARANTY FEDERAL BANK, F.S.B.,
a federal savings bank

By:

W. James Meintjes,
Assistant Vice President

BORROWER:

HOMEOWNERS MORTGAGE & EQUITY, INC.,
a Delaware corporation d/b/a HOME, INC.

By:/s/ Tommy M. Parker

Tommy M. Parker,
Executive Vice President

STATE OF TEXAS (S)
(S)
COUNTY OF DALLAS (S)

This instrument was ACKNOWLEDGED before me the ____ day of September, 1996, by W. James Meintjes, Assistant Vice President of GUARANTY FEDERAL BANK, F.S.B., a federal savings bank, on behalf of said bank.

Notary Public - State of Texas

My Commission expires:

Printed Name of Notary

STATE OF TEXAS (S)
(S)
COUNTY OF TRAVIS (S)

This instrument was ACKNOWLEDGED before me the 17th day of September, 1996,

by Tommy M. Parker, Executive Vice President of HOMEOWNERS MORTGAGE & EQUITY, INC. d/b/a Home, Inc., a Delaware corporation, on behalf of said corporation.

Martha Malina

Notary Public - State of Texas

My Commission expires:
1-26-98

Martha Malina

Printed Name of Notary

[SEAL]

THIRD AMENDMENT TO THE LOAN AGREEMENT

This THIRD AMENDMENT TO THE LOAN AGREEMENT ("Agreement") is made effective as of, although not necessarily on, the 15th day of October, 1996, by and between GUARANTY FEDERAL BANK, F.S.B., a federal savings bank ("Bank") and HOMEOWNERS MORTGAGE & EQUITY, INC., a Delaware corporation, d/b/a HOME, INC. ("Borrower") and HOMECAPITAL INVESTMENT CORPORATION, a Nevada corporation ("Guarantor").

W I T N E S S E T H :

WHEREAS, on June 1, 1996, Borrower and Bank entered into that certain Warehouse Loan Agreement (together with all amendments, modifications and restatements thereof, the "Loan Agreement") dated of even date therewith providing for a \$2,000,000.00 credit facility (together with all increases, collectively, the "Loan").

WHEREAS, in connection with the execution of the Loan Agreement, Borrower executed that certain Promissory Note dated of even date (the "Note"), that certain Security Agreement ("Security Agreement") was executed by Borrower and Bank and a Financing Statement filed with the Secretary of State of Texas (the "Financing Statement");

WHEREAS, effective as of July 9, 1996 Bank and Borrower entered into that one certain First Amendment to the Loan Agreement whereby the loan amount was increased \$10,000,000.00 and certain other changes were made to the loan documents;

WHEREAS, effective as of September 17, 1996 Bank and Borrower entered into that certain Second Amendment to Loan Agreement;

WHEREAS, Bank, Borrower and Guarantor desire to amend the Loan Documents to reflect certain changes to the Loan Agreement. All terms not defined herein are used as defined in the Loan Agreement.

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Bank and Borrower hereby agree as follows:

1. Loan Agreement. The following modifications are hereby made to the

Loan Agreement effective as of the date hereof:

(a) The first Whereas clause on page 1 of the Loan Agreement is hereby modified to replace the figure of "\$10,000,000.00" with the figure of "\$15,000,000.00".

(b) The definition of "Commitment" is hereby modified to read in its

entirety:

"Commitment" as to Bank shall mean the obligation of Bank to

make Advances to Borrower pursuant to Section 2.01 hereof in an

aggregate amount not to exceed at any one time outstanding the amount of \$15,000,000.00."

(c) The following new definition is added to Section 1.01 in

alphabetical order:

"Guarantor" shall mean HOMECAPITAL Investment Corp., a Nevada

corporation, the parent corporation of Borrower."

(d) The definition of "Material Adverse Effect" is hereby modified to

read as follows in its entirety:

"Material Adverse Effect" shall mean any event or set of

circumstances that (i) would have a material adverse effect on the validity or enforceability of this Agreement, the Note or any Loan Document, (ii) is, or upon the passage of time or happening of an event will be, material and adverse to the financial condition or business operations of Borrower or Guarantor, or (iii) would materially impair the ability of Borrower or Guarantor to fulfill its obligations under this Agreement, the Note or any Loan Document to which it is a party."

(e) The definition of "Maximum Loan Amount" is hereby modified to

read as follows in its entirety:

"Maximum Loan Amount" means, at any time, the sum of

\$15,000,000.00."

(f) The definition of "Obligations" is revised to read as follows:

"Obligations" shall mean all present and future indebtedness,

obligations, and liabilities of Borrower or Guarantor to the Bank, and all renewals and extensions thereof, or any part thereof, arising pursuant to this Agreement or any other Loan Document or line of credit evidenced by the Working Capital Line of Credit and Security Agreement (Servicing Secured) by and between Borrower and Bank, and all interest accruing thereon, and reasonable attorneys' fees incurred in the drafting, negotiation, enforcement or collection thereof, regardless of whether such indebtedness, obligations, and liabilities are direct, indirect, fixed, contingent, joint, several or joint and several."

(g) Section 7.11 is hereby modified as follows:

Section 7.11 Net Worth. Borrower's Net Worth shall not be less

than the sum of (a) \$3,000,000.00, (b) 80% of Borrower's Net Income for all preceding calendar quarters beginning with the calendar quarter beginning on June 30, 1996, plus (c) 100% of all contributions to stockholders' equity of Borrower after the date hereof, less all fees and costs directly incurred in connection with such contribution.

(h) Section 7.13 is hereby modified as follows:

"Section 7.13 Adjusted Tangible Net Worth. Borrower's Adjusted

Tangible Net Worth shall not be less than the sum of (a) \$3,000,000.00, (b) 80% of Borrower's Net Income for all preceding calendar quarters beginning in the calendar quarter beginning on June 30, 1996, plus (c) 100% of all contributions to stockholders' equity of Borrower after the date hereof, less all fees and costs directly incurred in connection with such contribution."

(i) Sections 8.01(b), (c), (d), (e), (f), (g), (h), (i), (j), (l),

(m), (n), (o), (x) and (y) are hereby modified to read as follows:

" (b) Default is made in the due observance or performance by Borrower or Guarantor of any of the other covenants or agreements of Borrower or Guarantor contained in this Agreement or in any Loan Document; provided, however, with respect to such defaults other those specified in Sections 8.01(a), 8.01(c) through 8.01(k), 8.01(p),

8.01(q) and 8.01(s) through 8.01(y) (for which no notice and

opportunity to cure shall be available unless such opportunity is

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specifically provided in such individual sections), Borrower shall have thirty (30) days after notice of default from Bank within which to cure such default;

(c) Any statement, warranty or representation by or on behalf of Borrower or Guarantor contained in this Agreement or any Loan Document or any certificate furnished in connection with this Agreement, proves to have been incorrect or misleading as of the date made or deemed made and constitutes a Material Adverse Effect;

(d) Borrower or Guarantor fails to make when due any payment on any other Indebtedness, including but not limited to the Existing Indebtedness as shown on Exhibit "G", which failure constitutes a

Material Adverse Effect;

(e) Borrower or Guarantor shall generally not pay its debts as they become due or shall admit in writing its inability to pay its debts, or shall make a general assignment for the benefit of creditors;

(f) Borrower or Guarantor shall (i) apply for or consent to the appointment of a receiver, trustee, custodian, intervenor or liquidator of Borrower or Guarantor or of all or a substantial part of Borrower's assets or Guarantor's assets, (ii) file a voluntary petition in bankruptcy, (iii) make a general assignment for the benefit of creditors, (iv) file a petition or answer seeking reorganization or an arrangement with creditors or to take advantage of any bankruptcy or insolvency laws, (v) file an answer admitting the material allegations of, or consent to, or default in answering, a petition filed against Borrower or Guarantor in any bankruptcy, reorganization or insolvency proceeding, (vi) allow any of its assets to be attached or seized, or (vi) take corporate action for the purpose of effecting any of the foregoing;

(g) An involuntary petition or complaint shall be filed against

Borrower or Guarantor seeking bankruptcy or reorganization of Borrower or Guarantor or the appointment of a receiver, custodian, trustee, intervenor or liquidator of Borrower or Guarantor, or all or substantially all of Borrower's assets or Guarantor's assets, and such petition or complaint shall not have been dismissed within sixty (60) days of the filing thereof; or an order, order for relief, judgment or decree shall be entered by any court of competent jurisdiction or other competent authority approving a petition or complaint seeking reorganization of borrower or appointing a receiver, custodian, trustee, intervenor or liquidator of Borrower or Guarantor, or of all or substantially all of Borrower's assets or Guarantor's assets;

(h) Any default or event of default shall occur under any other Indebtedness of Borrower or Guarantor to the Bank including but not limited to the line of credit evidenced by the Working Capital Line of Credit and Security Agreement (Servicing Secured) by and between Borrower and Bank;

(i) The failure of Borrower or Guarantor to pay any money judgment against Borrower or Guarantor;

(j) The failure to have discharged any levy on, seizure, attachment, sequestration, or similar proceedings against any of Borrower's assets or Guarantor's assets;

(l) A Reportable Event or Prohibited Transaction shall have occurred with respect to a Plan of Borrower or Guarantor which could have a Material Adverse Effect;

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(m) A notice of intent to terminate a Plan of Borrower or Guarantor under a "distress termination" as described in Section 4041(c) of ERISA shall be filed which could, in the opinion of the Bank, have a Material Adverse Effect;

(n) The Plan administrator of Borrower or Guarantor shall receive a notice that the PBGC has instituted proceedings to terminate a Plan of Borrower or Guarantor or appoint a trustee to administer a Plan;

(o) Borrower or Guarantor or any ERISA Affiliate of Borrower or Guarantor shall withdraw from a multiemployer Plan and the Bank shall determine that such withdrawal could have a Material Adverse Effect;

(x) If any property of Borrower or Guarantor is seized or attached; and

(y) If more than 35% of the stock (on an individual or cumulative basis) in Borrower is sold, transferred or conveyed to or

by any party without the prior written consent of the Bank."

(j) Exhibit "C" to the Loan Agreement is hereby modified to read as

shown on Exhibit "A" attached hereto and incorporated herein by this

reference.

(k) Schedule H-1 is hereby modified to read as shown on Exhibit "B"

attached hereto and incorporated herein by this reference.

2. Note. Borrower shall execute a new promissory note in the form shown

on Exhibit "A" and incorporated herein by this reference.

3. Guaranty. For and in consideration of the increase in the Loan Amount

and the changes stated therein to the Loan Documents, Guarantor shall execute a
Guaranty in the form shown as Exhibit "C" and incorporated herein by this

reference.

4. Acknowledgement by Borrower. Except as otherwise specified herein,

the terms and provisions of the Loan Documents are ratified and confirmed and
shall remain in full force and effect, enforceable in accordance with their
terms. Borrower hereby acknowledges, agrees and represents that (i) Borrower is
indebted to the Bank pursuant to the terms of the Note; (ii) the liens, security
interests and assignments created and evidenced by the Loan Documents are,
respectively, valid and subsisting liens, security interests and assignments of
the respective dignity and priority recited in the Loan Documents; (iii) the
representations and warranties contained in the Loan Documents are true and
correct representations and warranties of Borrower, as of the date hereof and no
defaults exist under the Loan Documents; and (iv) Borrower has no set-offs,
counterclaims, defenses or other causes of action against the Bank arising out
of the Loan Documents, the modification and extension of the Loan, any documents
mentioned herein or otherwise and to the extent any such set-offs,
counterclaims, defenses or other causes of action may exist, whether known or
unknown, such items are hereby waived by Borrower.

5. Acknowledgement by Guarantor. Except as otherwise specified herein,

the terms and provisions of the Loan Documents are ratified and confirmed and
shall remain in full force and effect, enforceable in accordance with their
terms. Guarantor hereby acknowledges, agrees and represents that (i) Guarantor
is indebted to the Bank pursuant to the terms of the Note; (ii) the liens,
security interests and assignments created and evidenced by the Loan Documents
are, respectively, valid and subsisting liens, security interests and
assignments of the

respective dignity and priority recited in the Loan Documents; (iii) the representations and warranties contained in the Loan Documents are true and correct representations and warranties of Guarantor, as of the date hereof and no defaults exist under the Loan Documents; and (iv) Guarantor has no set-offs, counterclaims, defenses or other causes of action against the Bank arising out of the Loan Documents, the modification and extension of the Loan, any documents mentioned herein or otherwise and to the extent any such set-offs, counterclaims, defenses or other causes of action may exist, whether known or unknown, such items are hereby waived by Guarantor.

6. No Waiver of Remedies. Nothing contained in this Agreement shall

prejudice, act as, or be deemed to be a waiver of any right or remedy available to the Bank by reason of the occurrence or existence of any fact, circumstance or event constituting a default under the Note or the other Loan Documents.

7. Costs and Expenses. Contemporaneously with the execution and delivery

hereof, Borrower shall pay, or cause to be paid, all costs and expenses incident to the preparation, execution and recordation hereof and the consummation of the transaction contemplated hereby, including, but not limited to, recording fees and reasonable fees and expenses of legal counsel to the Bank. The attorney's fees and expenses of the Bank's law firm, Jackson & Walker, L.L.P., shall be paid simultaneously with the execution of this Agreement.

8. Additional Documentation. From time to time, Borrower shall execute

or procure and deliver to Bank such other and further documents and instruments evidencing, securing or pertaining to the Loan or the Loan Documents as shall be reasonably requested by the Bank so as to evidence or effect the terms and provisions hereof.

9. Effectiveness of the Loan Documents. Except as expressly modified by

the terms and provisions hereof, each of the terms and provisions of the Loan Documents are hereby ratified and shall remain in full force and effect; provided, however, that any reference in any of the Loan Documents to the Loan, the amount constituting the Loan, any defined terms, or to any of the other Loan Documents shall be deemed, from and after the date hereof, to refer to the Loan, the amount constituting the Loan, defined terms and to such other Loan Documents, as modified hereby.

10. GOVERNING LAW. THE BORROWER HEREBY AGREES THAT THE OBLIGATIONS

CONTAINED HEREIN ARE PERFORMABLE IN DALLAS COUNTY, TEXAS. ALL PARTIES HERETO AGREE THAT (I) ANY ACTION ARISING OUT OF THIS TRANSACTION MAY BE FILED IN DALLAS COUNTY, TEXAS, (II) VENUE FOR ENFORCEMENT OF ANY OF THE OBLIGATIONS CONTAINED IN

THE LOAN DOCUMENTS SHALL BE IN DALLAS COUNTY, TEXAS, (III) PERSONAL JURISDICTION SHALL BE IN DALLAS COUNTY, TEXAS, (IV) ANY ACTION OR PROCEEDING UNDER THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT MAY BE COMMENCED AGAINST BORROWER IN DALLAS COUNTY, (V) SUCH ACTION MAY BE INSTITUTED IN THE COURTS OF THE STATE OF TEXAS LOCATED IN DALLAS COUNTY, TEXAS OR IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF TEXAS LOCATED IN DALLAS COUNTY, TEXAS, AT THE OPTION OF THE BANK AND (VI) THE BORROWER HEREBY WAIVES ANY OBJECTION TO THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING AND ADDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO BE SUED ELSEWHERE. NOTHING HEREIN SHALL AFFECT THE RIGHT OF EACH BANK TO ACCOMPLISH SERVICE OF PROCESS IN ANY OTHER MANNER PERMITTED BY LAW.

11. Time. Time is of the essence in the performance of the covenants

contained herein and in the Loan Documents.

12. Binding Agreement. This Agreement and the Loan Documents shall be

binding upon the heirs, executors, administrators, personal representatives, successors and assigns of the parties hereto; provided, however, the foregoing shall not be deemed or construed to (i) permit, sanction, authorize or condone the assignment of all or any part of the Collateral or any of Borrower's rights, titles or interest in and to the Collateral or any rights,

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titles or interests in and to Borrower, except as expressly authorized in the Loan Documents, or (ii) confer any right, title, benefit, cause of action or remedy upon any person or entity not a party hereto, which such party would not or did not otherwise possess.

13. Headings. The section headings hereof are inserted for convenience of

reference only and shall in no way alter, amend, define or be used in the construction or interpretation of the text of such section.

14. Construction. Whenever the context hereof so required, reference to

the singular shall include the plural and likewise, the plural shall include the singular; words denoting gender shall be construed to mean the masculine, feminine or neuter, as appropriate; and specific enumeration shall not exclude the general but shall be construed as cumulative of the general recitation.

15. Counterparts. To facilitate execution, this Agreement may be executed

in as many counterparts as may be convenient or required. It shall not be necessary that the signature and acknowledgement of, or on behalf of, each party or that the signature and acknowledgement of all persons required to bind any party appear on each counterpart. All counterparts shall collectively constitute a single document containing the respective signatures and acknowledgement of,

or on behalf of, each of the parties hereto. Any signature and acknowledgement page to any counterpart may be detached from such counterpart without impairing the legal effect of the signatures and acknowledgements thereon and thereafter attached to another counterpart identical thereto except having attached to it additional signature and acknowledgement pages.

THIS AGREEMENT AND THE LOAN DOCUMENTS COLLECTIVELY REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

EXECUTED as of the date first above written.

BANK:

GUARANTY FEDERAL BANK, F.S.B.,
a federal savings bank

By:

W. James Meintjes,
Assistant Vice President

BORROWER:

HOMEOWNERS MORTGAGE & EQUITY, INC.,
a Delaware corporation d/b/a HOME, INC.

By: /s/ Tommy M. Parker

Tommy M. Parker,
Executive Vice President

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GUARANTOR:

HEMOCAPITAL INVESTMENT CORPORATION,
a Nevada corporation

By: /s/ John W. Ballard

Name: John W. Ballard

Title: President

STATE OF TEXAS (S)
(S)
COUNTY OF DALLAS (S)

This instrument was ACKNOWLEDGED before me the ____ day of October, 1996,
by W. James Meintjes, Assistant Vice President of GUARANTY FEDERAL BANK, F.S.B.,
a federal savings bank, on behalf of said bank.

Notary Public - State of Texas

My Commission expires:

Printed Name of Notary

STATE OF TEXAS (S)
(S)
COUNTY OF TRAVIS (S)

This instrument was ACKNOWLEDGED before me the 15th day of October, 1996,

by Tommy M. Parker, Executive Vice President of HOMEOWNERS MORTGAGE & EQUITY,
INC. d/b/a Home, Inc., a Delaware corporation, on behalf of said corporation.

/s/ Amy Andrews

Notary Public - State of Texas

AMY ANDREWS

My Commission expires:
02-14-98

Printed Name of Notary

[STAMP APPEARS HERE]

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STATE OF TEXAS (S)
(S)
COUNTY OF TRAVIS (S)

This instrument was ACKNOWLEDGED before me the 15th day of October, 1996, by John W. Ballard, President of HOMECAPITAL INVESTMENT CORPORATION, a Nevada corporation, on behalf of said corporation.

/s/ Amy Andrews

Notary Public - State of Texas

/s/ AMY ANDREWS

Printed Name of Notary

My Commission expires:
02-14-98

[STAMP APPEARS HERE]

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EXHIBIT "A"

WAREHOUSE PROMISSORY NOTE

\$15,000,000.00

Dallas, Texas

October 15, 1996

FOR VALUE RECEIVED, the undersigned, HOMEOWNERS MORTGAGE & EQUITY, INC. D/B/A HOME, INC., a Delaware corporation (herein called "Borrower"), hereby

promises to pay to the order of GUARANTY FEDERAL BANK, F.S.B., a federal savings bank (herein called "Bank"), the principal sum of FIFTEEN MILLION AND NO/100

DOLLARS (\$15,000,000.00) or, if less, the aggregate unpaid principal amount of the Loan made under this Note by Bank to Borrower pursuant to the terms of the Loan Agreement (as hereinafter defined), together with interest on the unpaid principal balance thereof as hereinafter set forth, both principal and interest payable as herein provided in lawful money of the United States of America, for the account of Bank, at the offices of Guaranty Federal Bank, F.S.B. at 8333 Douglas Avenue, Dallas, Texas or at such other place within Dallas County, Texas or such other address as may be given to Borrower by the Bank.

This Note (a) is executed and delivered pursuant to that certain Warehouse Loan Agreement dated as of June 1, 1996 between Borrower and the Bank (herein, as from time to time supplemented, amended or restated, called the "Loan

Agreement"), and is the Warehouse Promissory Note and the Note as defined

therein, (b) is subject to the terms and provisions of the Loan Agreement, which contains provisions for payments and prepayments hereunder, acceleration of the maturity hereof upon the happening of certain stated events and the obligation of Bank to advance funds hereunder, and (c) is secured by and entitled to the benefits of certain Loan Documents (as identified and defined in the Loan Agreement). Payments on this Note shall be made and applied as provided herein and in the Loan Agreement. Interest shall be due and payable on each Interest Payment Date. Reference is hereby made to the Loan Agreement for a description of certain rights, limitations of rights, obligations and duties of the parties hereto and for the meanings assigned to terms used and not defined herein and to the Loan Documents for a description of the nature and extent of the security thereby provided and the rights of the parties thereto. All capitalized terms used herein and not otherwise defined herein shall have the meanings given thereto in the Loan Agreement. The holder of this Note shall be entitled to the benefits provided for in the Loan Agreement.

Interest shall be due and payable on the tenth day of each month, beginning November 10, 1996, and on any other Interest Payment Date. Interest shall accrue on the outstanding principal balance of this Note at the rates specified in the Loan Agreement.

The principal amount of this Note, together with all unpaid interest accrued hereon, shall be due and payable in full on January 31, 1997. All payments of principal of and interest upon this Note shall be made by Borrower to the Bank in federal or other immediately available funds. All payments made hereon shall be due and payable and applied in accordance with the Loan Agreement.

Notwithstanding the foregoing paragraph and all other provisions of this Note, in no event shall the interest payable hereon, whether before or after maturity, exceed the maximum amount of interest which, under applicable law, may be charged on this Note, and this Note is expressly made subject to the provisions of the Loan Agreement which more fully set out the limitations on how interest accrues hereon. In the event applicable law provides for a ceiling under Texas Revised Civil Statutes Annotated article 5069-1.04, that ceiling shall be the indicated rate ceiling and shall be used in this Note for calculating the Maximum Rate and for all other purposes. The term "applicable law" as used in this Note shall mean the laws of the State of Texas or the laws of the United States,

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whichever laws allow the greater interest, as such laws now exist or may be changed or amended or come into effect in the future.

If this Note is placed in the hands of an attorney for collection after default, or if all or any part of the indebtedness represented hereby is proved, established or collected in any court of in any bankruptcy, receivership, debtor

relief, probate or other court proceedings, Borrower and all endorsers, sureties and guarantors of this Note jointly and severally agree to pay reasonable attorneys' fees and collection costs to the holder hereof in addition to the principal and interest payable hereunder.

Borrower and all endorsers, sureties and guarantors of this Note hereby severally waive demand, presentment for payment, protest, notice of protest, notice of intention to accelerate the maturity of this Note, diligence in collecting, the bringing of any suit against any party and any notice of or defense on account of any extensions, renewals, partial payments or changes in any manner of or in this Note or in any of its terms, provisions and covenants, or any releases or substitutions of any security, or any delay, indulgence or other act of any trustee or any holder hereof, whether before or after maturity.

Borrower reserves the right to prepay the outstanding principal balance of this Note, in whole or in part at any time and from time to time without premium or penalty, in accordance with the terms of the Loan Agreement.

This Note is executed in modification (but not in extinguishment) of (a) that certain Warehouse Promissory Note dated June 1, 1996 in the principal amount of \$2,000,000.00 executed by Borrower payable to the order of Bank and (b) that certain Warehouse Promissory Note dated July 9, 1996 in the principal amount of \$10,000,000.00 executed by Borrower payable to the order of Bank.

THIS NOTE AND THE RIGHTS AND DUTIES OF THE PARTIES HERETO SHALL BE GOVERNED

BY THE LAWS OF THE STATE OF TEXAS, EXCEPT TO THE EXTENT THE SAME ARE GOVERNED BY

APPLICABLE FEDERAL LAW.

THIS NOTE AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

HOMEOWNERS MORTGAGE & EQUITY, INC. D/B/A
HOME, INC., a Delaware corporation

By: _____
Tommy M. Parker,
Executive Vice President

STATE OF TEXAS (S)
(S)
COUNTY OF TRAVIS (S)

This instrument was ACKNOWLEDGED before me the ____ day of October, 1996, by Tommy M. Parker, Executive Vice President of HOMEOWNERS MORTGAGE & EQUITY, INC. D/B/A HOME, INC., a Delaware corporation, on behalf of said corporation.

Notary Public - State of Texas

My Commission expires: _____

Printed Name of Notary

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EXHIBIT "B"

Schedule H-1

Financial Covenants -----	Required -----	Actual or ----- [IN COMPLIANCE]*
1) No Merger [7.01]:		[YES] or [NO] *
2) Limitation on Indebtedness of Borrower [7.02]:		[YES] or [NO] *
3) Negative Pledge [7.05]:		[YES] or [NO] *
4) Loans, Advances and Investments of Borrower and Affiliates [7.06]:		[YES] or [NO] *
5) Operational Changes [7.09]:		[YES] or [NO] *
6) Compliance with ERISA [7.10]:		[YES] or [NO] *
7) Net Worth of Borrower [7.11]:	Not less than \$3,000,000 plus 7.11(b) & (c)	_____
8) Tangible Net Worth of Borrower [7.12]:	Not less than HUD, FNMA, GNMA, FHLMC minimum	_____

- 9) Adjusted Tangible Net Worth of Borrower [7.13]: Not less than \$3,000,000 plus 7.13(b) & (c) _____
- 10) Total Liabilities to Adjusted Tangible Net Worth [7.14]: Not more than 3.5 to 1.0 _____
- 11) Management [7.15]: [YES] or [NO] *
- 12) Interested Transactions [7.16]: [YES] or [NO] *
- 13) Transfer of Stock [7.17]: [YES] or [NO] *
- 14) Liquidity [7.20]: Not less than \$500,000.00 _____

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HOMEOWNERS MORTGAGE & EQUITY, INC.
D/B/A HOME, INC., a Delaware corporation

By: _____
_____, _____

[Date]

STATE OF TEXAS (S)
(S)
COUNTY OF TRAVIS (S)

This instrument was ACKNOWLEDGED before me the ____ day of _____, 199__, by _____, _____ of HOMEOWNERS MORTGAGE & EQUITY, INC. D/B/A HOME, INC., a Delaware corporation, on behalf of said corporation.

Notary Public - State of Texas

My Commission expires:

Printed Name of Notary

UNCONDITIONAL GUARANTY

WHEREAS, HOMEOWNERS MORTGAGE & EQUITY, INC., a Delaware corporation, d/b/a HOME, INC. (hereinafter called the "Borrower"), desire to borrow from GUARANTY

FEDERAL BANK, F.S.B. the "Bank"), the principal sum of FIFTEEN MILLION AND

NO/100 DOLLARS (\$15,000,000.00) (collectively, the "Loan"); and

WHEREAS, said borrowings are to be made by the Borrower pursuant to and under the terms of that Agreement dated June 1, 1996, between the Borrower and the Bank together with all amendments thereof (hereinafter called the "Loan

Agreement") and all promissory notes executed by Borrower in connection

therewith; and

WHEREAS, the Loan amount of \$15,000,000.00 represents an increase in the amount of the Loan and Bank would not consent to such an increase without the execution by Guarantor of this Guaranty, Guarantor being the parent corporation of Borrower;

WHEREAS, the undersigned desires the Bank to increase the Loan amount and to continue to make the aforesaid Loan, and the Bank requires, as a condition thereof, that a guaranty in the form hereof be executed and delivered by the undersigned;

NOW, THEREFORE, in consideration of the premises and to induce the Bank to enter into the Loan Agreement and to make the Loan contemplated thereby and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned, HOMECAPITAL INVESTMENT CORPORATION, a Delaware corporation (hereinafter called the "Guarantor"), hereby

unconditionally guarantees to the Bank and to every subsequent holder or holders of any promissory note or notes evidencing the Loan (said promissory note or notes together with any note or notes renewing the same or any part thereof being hereinafter collectively called the "Note") that (i) the principal of and

interest on, and attorneys' fees provided in, the Note will be promptly paid when due in accordance with the provisions thereof or, in the case of extension of time of payment in whole or in part of the Note, all sums will be promptly

paid when due in accordance with the terms of the extension; (ii) all covenants and agreements of the Borrower contained in the Note, the Loan Agreement and/or any other instrument evidencing, securing or governing the disbursement of the Loan, whether presently existing or hereinafter entered into, will be duly and promptly observed and performed; and (iii) all additional amounts owing or which hereafter become owing by the Borrower under the terms of the Note, the Loan Agreement and/or any other instrument evidencing, securing or governing the disbursement of the Loan, whether presently existing or hereinafter entered into, will be promptly paid when due. This Guaranty directly and substantially benefits Guarantor.

The obligations of the Guarantor shall be performable without demand of the Bank and shall be unconditional irrespective of the genuineness, validity, regularity or enforceability of the Loan Agreement or the Note, or any other circumstance which might otherwise constitute a legal or equitable discharge of a surety or a guarantor; and the Guarantor hereby waives diligence, presentment, demand of payment, protest, all notices (whether of nonpayment, intention to accelerate, acceleration, dishonor, protest or otherwise) with respect to the Note, notice of acceptance of this Guaranty and of the incurring by the Borrower of any of the obligations hereinbefore mentioned, all demands whatsoever, and all rights to require the Bank, to (a) proceed against the Borrower, (b) proceed against or exhaust any collateral held by the Bank to secure the payment of the indebtedness guaranteed hereby, or (c) pursue any other remedy the Bank may now or hereafter have against the Borrower.

The Guarantor hereby agrees that, at any time or from time to time, without notice to the Guarantor:

(1) The time for payment of the principal of or interest on the Note evidencing the Loan may be extended or the Note may be renewed in whole or in part;

(2) The time for the Borrower's performance of or compliance with any covenant or agreement contained in the Loan Agreement, the Note and/or any other instrument evidencing, securing or governing the disbursement of the Loan, whether presently existing or hereinafter entered into, may be extended or such performance or compliance may be waived;

(3) The maturity of the Note may be accelerated as provided therein or in the Loan Agreement and/or any other instrument evidencing, securing or governing the disbursement of the Loan, whether presently existing or hereinafter entered into;

(4) The Loan Agreement, the Note and/or any other instrument evidencing, securing or governing the disbursement of the Loan, whether presently existing or hereinafter entered into, may be modified or amended by the Bank and the Borrower in any respect, including, but not limited to, an increase in the principal amount; and

(5) Any security for the Loan may be modified, exchanged, surrendered

or otherwise dealt with and/or additional security may be pledged or mortgaged for the Loan;

all without affecting the liability of the Guarantor.

The Guarantor hereby acknowledges that the withdrawal from, or termination of, any ownership interest in Borrower shall not alter, affect or in any way limit the obligations of Guarantor hereunder.

If this Guaranty shall be placed in the hands of an attorney for collection or should it be collected by legal proceedings or through any probate or bankruptcy court, the Guarantor agrees to pay to the Bank's reasonable attorneys' or collection fees.

The Bank may assign its rights hereunder in whole or in part; and upon any such assignment, all the terms and provisions of this Guaranty shall inure to the benefit of such assignee to the extent so assigned. The terms used to designate any of the parties herein shall be deemed to include the heirs, legal representatives, successors and assigns of such parties; and the term "Bank" shall include, in addition to the Bank, any lawful owner, holder or pledgee of any indebtedness guaranteed hereby.

The Bank is relying and is entitled to rely upon each and all of the provisions of this Guaranty; and accordingly, if any provision or provisions of this instrument should be held to be invalid or ineffective, then all other provisions shall continue in full force and effect.

The Guarantor acknowledges that the Loan represents money which will be advanced to the Borrower in a series of advances to be made from time to time pursuant to the Loan Agreement. To induce the Bank to make the advances thereunder, the Guarantor hereby agrees that in the event of the termination, liquidation or dissolution of the Borrower, this Guaranty shall continue in full force and effect.

The Guarantor hereby represents and warrants to the Bank that the financial statements and information regarding the Guarantor heretofore delivered to the Bank are true and correct in all material respects, having been applied on a consistent basis throughout the period covered thereby, and fairly present the financial position of the Guarantor as of the dates thereof, and that no material adverse change has occurred in the financial condition of the Guarantor reflected therein since the date thereof.

The Guarantor hereby represents and warrants to the Bank that:

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(a) Neither the execution and delivery of this Guaranty, nor the consummation of any of the transactions herein or therein contemplated, nor compliance with the terms and provisions hereof or with the terms and provisions thereof, will materially contravene or conflict with any provision of law,

statute or regulation to which Guarantor is subject or any judgment, license, order or permit applicable to Guarantor, or any indenture, mortgage, deed of trust or other agreement or instrument to which Guarantor is a party or by which Guarantor may be bound, or to which Guarantor may be subject.

(b) Guarantor is not in default (and no event exists which with notice or the passage of time could become a default) under any loan agreement, mortgage, security agreement or other material agreement or obligation to which it is a party or by which any of its properties is bound including but not limited to the Loan Documents.

(c) There are no actions, suits or legal, equitable, arbitration or administrative proceedings pending, or to the knowledge of Guarantor, threatened against Guarantor.

(d) All tax returns required to be filed by the Guarantor in any jurisdiction have been filed or extended and all taxes, assessments, fees and other governmental charges upon Guarantor or upon any of its properties, income or franchises have been paid prior to the time that such taxes could give rise to a lien thereon, unless protested in good faith by appropriate proceedings and with respect to which reserves in conformity with GAAP have been established on the books of Guarantor. The Guarantor has no knowledge of any proposed tax assessment against Guarantor.

(e) Guarantor shall permit any authorized officer, employee or agent of the Bank, to visit and inspect any of the business properties of the Guarantor, examine Guarantor's books of record and accounts, take copies and extracts therefrom, and inspect and discuss the procedures, finances and accounts of Guarantor with Guarantor's accountants and auditors, all at such reasonable times and as often as Bank may desire. Guarantor shall furnish such reports as Bank may reasonably request.

Notwithstanding any provision in this Guaranty to the contrary, Guarantor hereby waives and releases (i) any and all rights of subrogation, reimbursement, indemnification or contribution which it may have, against others liable on all or any part of the Loan, (ii) any and all rights to be subrogated to the rights of the Bank in any collateral or security for all or any part of the Loan, and (iii) any and all other rights and claims of such Guarantor against Borrower or any third party as a result of such Guarantor's payment of all or any part of the Loan.

Capitalized terms not defined herein are used as defined in the Loan Agreement.

The obligations of the Guarantor and any other guarantor of the Note evidencing the Loan shall be joint and several. The Guarantor agrees that the Bank, in its sole discretion, may (i) bring suit against the Guarantor and any other guarantor of the Note evidencing the Loan jointly and severally or against any one or more of them, (ii) compound or settle with any one or more of the guarantors of the Note evidencing the Loan for such consideration as the Bank may deem proper, (iii) release one or more of the guarantors of the Note

evidencing the Loan from liability thereunder, and (iv) otherwise deal with the Guarantor and any other guarantors of the Note, or any one or more of them, in any manner whatsoever; and that no such action shall impair the rights of the Bank to collect the indebtedness hereby guaranteed from the Guarantor. Nothing contained in this paragraph shall in any way affect or impair the rights or obligations of the Guarantor with respect to any other guarantor of the Note evidencing the Loan.

Any indebtedness of the Borrower to the Guarantor now or hereafter existing (including, but not limited to, any rights to subrogation the Guarantor may have as a result of any payment by the Guarantor under this Guaranty), together with any interest thereon, shall be, and such indebtedness is hereby subordinated until payment in full of the indebtedness of the Borrower to the Bank under the Loan Documents and all other obligations hereunder. Until payment in full with interest of the indebtedness of the Borrower to the Bank (and including interest accruing on the Note after any petition under the Bankruptcy Reform Act of 1978, as amended (the

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"Bankruptcy Code"), which post-petition interest the parties agree shall remain

a claim that is prior and superior to any claim of the Guarantor notwithstanding any contrary practice, custom or ruling in proceedings under the Bankruptcy Code generally), the Guarantor agrees not to accept any payment or satisfaction of any kind of any indebtedness of the Borrower to the Guarantor. Further, the Guarantor agrees that until such payment in full: (i) no Guarantor shall accept payment from any other Guarantor by way of contribution on account of any payment made hereunder by such party to the Bank; (ii) no one of them will take any action to exercise or enforce any rights to such contribution; and (iii) if any individual or entity comprising the Guarantor should receive any payment, satisfaction or security for any indebtedness of the Borrower to any individual or entity comprising the Guarantor or for any contribution by any other individual or entity comprising the Guarantor for payment made hereunder by the recipient to the Bank at any time the Borrower is in default under the Loan Documents, the same shall be delivered to the Bank in the form received, endorsed or assigned as may be appropriate for application on account of, or as security for the indebtedness of the Borrower to the Bank. This provision shall not restrict or impair Guarantor's right to receive compensation from Borrower for his service to Borrower as an employee. Any lien or charge on the Collateral (as defined in the Loan Agreement), all rights therein and thereto, and on the profits, losses, income and distributions to be realized therefrom, which the Guarantor may have or obtain as security for any loans or advances to Borrower shall be, and such Lien or charge hereby is, waived. Guarantor waives any rights Guarantor has under, or any requirements imposed by Chapter 34 of the Texas Business & Commerce Code, as in effect on the date of this Guaranty or as it may be amended from time to time. Guarantor waives any rights of subrogation it may have against the Borrower.

In the event the Borrower is a corporation, joint stock association or

partnership, or is hereafter incorporated, if the indebtedness at any time hereafter exceeds the amount permitted by law, or the Borrower is not liable because the act of creating the obligation is ultra vires, or the officers or persons creating same acted in excess of their authority, and for these reasons the indebtedness to the Bank which the Guarantor agrees to pay cannot be enforced against the corporation, joint stock association or partnership, such fact shall in no manner affect the Guarantor's liability hereunder; but the Guarantor shall be liable hereunder, notwithstanding any finding that said corporation, joint stock association or partnership is not liable for such indebtedness, and to same extent as the Guarantor would have been if the indebtedness of the Borrower had been enforceable against the Borrower.

THIS GUARANTY AND ALL RIGHTS, OBLIGATIONS AND LIABILITIES ARISING HEREUNDER SHALL BE CONSTRUED ACCORDING TO THE LAWS OF THE STATE OF TEXAS AND THE UNITED STATES OF AMERICA.

THIS GUARANTY SHALL BE PERFORMABLE FOR ALL PURPOSES IN DALLAS COUNTY, TEXAS. COURTS WITHIN THE STATE OF TEXAS SHALL HAVE JURISDICTION OVER ANY AND ALL DISPUTES BETWEEN GUARANTOR AND BANK, WHETHER IN LAW OR EQUITY, INCLUDING, BUT NOT LIMITED TO, ANY AND ALL DISPUTES ARISING OUT OF OR RELATING TO THIS GUARANTY OR ANY OTHER LOAN DOCUMENT; AND VENUE IN ANY SUCH DISPUTE WHETHER IN FEDERAL OR STATE COURT SHALL BE LAID IN DALLAS COUNTY, TEXAS. GUARANTOR HEREBY CONSENTS TO PERSONAL JURISDICTION IN DALLAS COUNTY, TEXAS AND WAIVES ANY RIGHTS HE OR SHE MAY HAVE TO BE SUED ELSEWHERE.

THIS GUARANTY AND THE LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

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IN WITNESS WHEREOF, this Guaranty has been duly executed by the undersigned, effective as of, although not necessarily on, the 15th day of October, 1996.

Address of Guarantor:

6836 Austin Center, Blvd.
Suite 280
Austin, Texas 78731

HEMOCAPITAL INVESTMENT CORPORATION,
a Delaware corporation

By:

Name: _____

Title: _____

STATE OF TEXAS (S)
(S)

This instrument was ACKNOWLEDGED before me the ____ day of October, 1996,
by _____, _____ of HOMECAPITAL INVESTMENT
CORPORATION, a Delaware corporation, on behalf of said corporation.

Notary Public - State of Texas

My Commission expires:

Printed Name of Notary

UNCONDITIONAL GUARANTY

WHEREAS, HOMEOWNERS MORTGAGE & EQUITY, INC., a Delaware corporation, d/b/a HOME, INC. (hereinafter called the "Borrower"), desire to borrow from GUARANTY

FEDERAL BANK, F.S.B. the "Bank"), the principal sum of FIFTEEN MILLION AND

NO/100 DOLLARS (\$15,000,000.00) (collectively, the "Loan"); and

WHEREAS, said borrowings are to be made by the Borrower pursuant to and under the terms of that Agreement dated June 1, 1996, between the Borrower and the Bank together with all amendments thereof (hereinafter called the "Loan

Agreement") and all promissory notes executed by Borrower in connection

therewith; and

WHEREAS, the Loan amount of \$15,000,000.00 represents an increase in the amount of the Loan and Bank would not consent to such an increase without the execution by Guarantor of this Guaranty, Guarantor being the parent corporation of Borrower;

WHEREAS, the undersigned desires the Bank to increase the Loan amount and to continue to make the aforesaid Loan, and the Bank requires, as a condition thereof, that a guaranty in the form hereof be executed and delivered by the undersigned;

NOW, THEREFORE, in consideration of the premises and to induce the Bank to enter into the Loan Agreement and to make the Loan contemplated thereby and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned, HOMECAPITAL INVESTMENT CORPORATION, a Nevada corporation (hereinafter called the "Guarantor"), hereby

unconditionally guarantees to the Bank and to every subsequent holder or holders of any promissory note or notes evidencing the Loan (said promissory note or notes together with any note or notes renewing the same or any part thereof being hereinafter collectively called the "Note") that (i) the principal of and

interest on, and attorneys' fees provided in, the Note will be promptly paid when due in accordance with the provisions thereof or, in the case of extension of time of payment in whole or in part of the Note, all sums will be promptly paid when due in accordance with the terms of the extension; (ii) all covenants

and agreements of the Borrower contained in the Note, the Loan Agreement and/or any other instrument evidencing, securing or governing the disbursement of the Loan, whether presently existing or hereinafter entered into, will be duly and promptly observed and performed; and (iii) all additional amounts owing or which hereafter become owing by the Borrower under the terms of the Note, the Loan Agreement and/or any other instrument evidencing, securing or governing the disbursement of the Loan, whether presently existing or hereinafter entered into, will be promptly paid when due. This Guaranty directly and substantially benefits Guarantor.

The obligations of the Guarantor shall be performable without demand of the Bank and shall be unconditional irrespective of the genuineness, validity, regularity or enforceability of the Loan Agreement or the Note, or any other circumstance which might otherwise constitute a legal or equitable discharge of a surety or a guarantor; and the Guarantor hereby waives diligence, presentment, demand of payment, protest, all notices (whether of nonpayment, intention to accelerate, acceleration, dishonor, protest or otherwise) with respect to the Note, notice of acceptance of this Guaranty and of the incurring by the Borrower of any of the obligations hereinbefore mentioned, all demands whatsoever, and all rights to require the Bank, to (a) proceed against the Borrower, (b) proceed against or exhaust any collateral held by the Bank to secure the payment of the indebtedness guaranteed hereby, or (c) pursue any other remedy the Bank may now or hereafter have against the Borrower.

The Guarantor hereby agrees that, at any time or from time to time, without notice to the Guarantor:

(1) The time for payment of the principal of or interest on the Note evidencing the Loan may be extended or the Note may be renewed in whole or in part;

(2) The time for the Borrower's performance of or compliance with any covenant or agreement contained in the Loan Agreement, the Note and/or any other instrument evidencing, securing or governing the disbursement of the Loan, whether presently existing or hereinafter entered into, may be extended or such performance or compliance may be waived;

(3) The maturity of the Note may be accelerated as provided therein or in the Loan Agreement and/or any other instrument evidencing, securing or governing the disbursement of the Loan, whether presently existing or hereinafter entered into;

(4) The Loan Agreement, the Note and/or any other instrument evidencing, securing or governing the disbursement of the Loan, whether presently existing or hereinafter entered into, may be modified or amended by the Bank and the Borrower in any respect, including, but not limited to, an increase in the principal amount; and

(5) Any security for the Loan may be modified, exchanged, surrendered or otherwise dealt with and/or additional security may be pledged or

mortgaged for the Loan;

all without affecting the liability of the Guarantor.

The Guarantor hereby acknowledges that the withdrawal from, or termination of, any ownership interest in Borrower shall not alter, affect or in any way limit the obligations of Guarantor hereunder.

If this Guaranty shall be placed in the hands of an attorney for collection or should it be collected by legal proceedings or through any probate or bankruptcy court, the Guarantor agrees to pay to the Bank's reasonable attorneys' or collection fees.

The Bank may assign its rights hereunder in whole or in part; and upon any such assignment, all the terms and provisions of this Guaranty shall inure to the benefit of such assignee to the extent so assigned. The terms used to designate any of the parties herein shall be deemed to include the heirs, legal representatives, successors and assigns of such parties; and the term "Bank" shall include, in addition to the Bank, any lawful owner, holder or pledgee of any indebtedness guaranteed hereby.

The Bank is relying and is entitled to rely upon each and all of the provisions of this Guaranty; and accordingly, if any provision or provisions of this instrument should be held to be invalid or ineffective, then all other provisions shall continue in full force and effect.

The Guarantor acknowledges that the Loan represents money which will be advanced to the Borrower in a series of advances to be made from time to time pursuant to the Loan Agreement. To induce the Bank to make the advances thereunder, the Guarantor hereby agrees that in the event of the termination, liquidation or dissolution of the Borrower, this Guaranty shall continue in full force and effect.

The Guarantor hereby represents and warrants to the Bank that the financial statements and information regarding the Guarantor heretofore delivered to the Bank are true and correct in all material respects, having been applied on a consistent basis throughout the period covered thereby, and fairly present the financial position of the Guarantor as of the dates thereof, and that no material adverse change has occurred in the financial condition of the Guarantor reflected therein since the date thereof.

The Guarantor hereby represents and warrants to the Bank that:

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(a) Neither the execution and delivery of this Guaranty, nor the consummation of any of the transactions herein or therein contemplated, nor compliance with the terms and provisions hereof or with the terms and provisions thereof, will materially contravene or conflict with any provision of law, statute or regulation to which Guarantor is subject or any judgment, license,

order or permit applicable to Guarantor, or any indenture, mortgage, deed of trust or other agreement or instrument to which Guarantor is a party or by which Guarantor may be bound, or to which Guarantor may be subject.

(b) Guarantor is not in default (and no event exists which with notice or the passage of time could become a default) under any loan agreement, mortgage, security agreement or other material agreement or obligation to which it is a party or by which any of its properties is bound including but not limited to the Loan Documents.

(c) There are no actions, suits or legal, equitable, arbitration or administrative proceedings pending, or to the knowledge of Guarantor, threatened against Guarantor.

(d) All tax returns required to be filed by the Guarantor in any jurisdiction have been filed or extended and all taxes, assessments, fees and other governmental charges upon Guarantor or upon any of its properties, income or franchises have been paid prior to the time that such taxes could give rise to a lien thereon, unless protested in good faith by appropriate proceedings and with respect to which reserves in conformity with GAAP have been established on the books of Guarantor. The Guarantor has no knowledge of any proposed tax assessment against Guarantor.

(e) Guarantor shall permit any authorized officer, employee or agent of the Bank, to visit and inspect any of the business properties of the Guarantor, examine Guarantor's books of record and accounts, take copies and extracts therefrom, and inspect and discuss the procedures, finances and accounts of Guarantor with Guarantor's accountants and auditors, all at such reasonable times and as often as Bank may desire. Guarantor shall furnish such reports as Bank may reasonably request.

Notwithstanding any provision in this Guaranty to the contrary, Guarantor hereby waives and releases (i) any and all rights of subrogation, reimbursement, indemnification or contribution which it may have, against others liable on all or any part of the Loan, (ii) any and all rights to be subrogated to the rights of the Bank in any collateral or security for all or any part of the Loan, and (iii) any and all other rights and claims of such Guarantor against Borrower or any third party as a result of such Guarantor's payment of all or any part of the Loan.

Capitalized terms not defined herein are used as defined in the Loan Agreement.

The obligations of the Guarantor and any other guarantor of the Note evidencing the Loan shall be joint and several. The Guarantor agrees that the Bank, in its sole discretion, may (i) bring suit against the Guarantor and any other guarantor of the Note evidencing the Loan jointly and severally or against any one or more of them, (ii) compound or settle with any one or more of the guarantors of the Note evidencing the Loan for such consideration as the Bank may deem proper, (iii) release one or more of the guarantors of the Note evidencing the Loan from liability thereunder, and (iv) otherwise deal with the

Guarantor and any other guarantors of the Note, or any one or more of them, in any manner whatsoever; and that no such action shall impair the rights of the Bank to collect the indebtedness hereby guaranteed from the Guarantor. Nothing contained in this paragraph shall in any way affect or impair the rights or obligations of the Guarantor with respect to any other guarantor of the Note evidencing the Loan.

Any indebtedness of the Borrower to the Guarantor now or hereafter existing (including, but not limited to, any rights to subrogation the Guarantor may have as a result of any payment by the Guarantor under this Guaranty), together with any interest thereon, shall be, and such indebtedness is hereby subordinated until payment in full of the indebtedness of the Borrower to the Bank under the Loan Documents and all other obligations hereunder. Until payment in full with interest of the indebtedness of the Borrower to the Bank (and including interest accruing on the Note after any petition under the Bankruptcy Reform Act of 1978, as amended (the

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"Bankruptcy Code"), which post-petition interest the parties agree shall remain

a claim that is prior and superior to any claim of the Guarantor notwithstanding any contrary practice, custom or ruling in proceedings under the Bankruptcy Code generally), the Guarantor agrees not to accept any payment or satisfaction of any kind of any indebtedness of the Borrower to the Guarantor. Further, the Guarantor agrees that until such payment in full: (i) no Guarantor shall accept payment from any other Guarantor by way of contribution on account of any payment made hereunder by such party to the Bank; (ii) no one of them will take any action to exercise or enforce any rights to such contribution; and (iii) if any individual or entity comprising the Guarantor should receive any payment, satisfaction or security for any indebtedness of the Borrower to any individual or entity comprising the Guarantor or for any contribution by any other individual or entity comprising the Guarantor for payment made hereunder by the recipient to the Bank at any time the Borrower is in default under the Loan Documents, the same shall be delivered to the Bank in the form received, endorsed or assigned as may be appropriate for application on account of, or as security for the indebtedness of the Borrower to the Bank. This provision shall not restrict or impair Guarantor's right to receive compensation from Borrower for his service to Borrower as an employee. Any lien or charge on the Collateral (as defined in the Loan Agreement), all rights therein and thereto, and on the profits, losses, income and distributions to be realized therefrom, which the Guarantor may have or obtain as security for any loans or advances to Borrower shall be, and such Lien or charge hereby is, waived. Guarantor waives any rights Guarantor has under, or any requirements imposed by Chapter 34 of the Texas Business & Commerce Code, as in effect on the date of this Guaranty or as it may be amended from time to time. Guarantor waives any rights of subrogation it may have against the Borrower.

In the event the Borrower is a corporation, joint stock association or partnership, or is hereafter incorporated, if the indebtedness at any time

hereafter exceeds the amount permitted by law, or the Borrower is not liable because the act of creating the obligation is ultra vires, or the officers or persons creating same acted in excess of their authority, and for these reasons the indebtedness to the Bank which the Guarantor agrees to pay cannot be enforced against the corporation, joint stock association or partnership, such fact shall in no manner affect the Guarantor's liability hereunder; but the Guarantor shall be liable hereunder, notwithstanding any finding that said corporation, joint stock association or partnership is not liable for such indebtedness, and to same extend as the Guarantor would have been if the indebtedness of the Borrower had been enforceable against the Borrower.

THIS GUARANTY AND ALL RIGHTS, OBLIGATIONS AND LIABILITIES ARISING HEREUNDER SHALL BE CONSTRUED ACCORDING TO THE LAWS OF THE STATE OF TEXAS AND THE UNITED STATES OF AMERICA.

THIS GUARANTY SHALL BE PERFORMABLE FOR ALL PURPOSES IN DALLAS COUNTY, TEXAS. COURTS WITHIN THE STATE OF TEXAS SHALL HAVE JURISDICTION OVER ANY AND ALL DISPUTES BETWEEN GUARANTOR AND BANK, WHETHER IN LAW OR EQUITY, INCLUDING, BUT NOT LIMITED TO, ANY AND ALL DISPUTES ARISING OUT OF OR RELATING TO THIS GUARANTY OR ANY OTHER LOAN DOCUMENT; AND VENUE IN ANY SUCH DISPUTE WHETHER IN FEDERAL OR STATE COURT SHALL BE LAID IN DALLAS COUNTY, TEXAS. GUARANTOR HEREBY CONSENTS TO PERSONAL JURISDICTION IN DALLAS COUNTY, TEXAS AND WAIVES ANY RIGHTS HE OR SHE MAY HAVE TO BE SUED ELSEWHERE.

THIS GUARANTY AND THE LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

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IN WITNESS WHEREOF, this Guaranty has been duly executed by the undersigned, effective as of, although not necessarily on, the 15th day of October, 1996.

Address of Guarantor:

6836 Austin Center, Blvd.
Suite 280
Austin, Texas 78731

HEMOCAPITAL INVESTMENT CORPORATION,
a Nevada corporation

By: /s/ John W. Ballard

Name: John W. Ballard

Title: President

STATE OF TEXAS

(S)

COUNTY OF TRAVIS

(S)

(S)

This instrument was ACKNOWLEDGED before me the 15th day of October, 1996, by John W, Ballard, President of HOMECAPITAL INVESTMENT CORPORATION, a Nevada corporation, on behalf of said corporation.

/s/ Amy Andrews

Notary Public - State of Texas

AMY ANDREWS

Printed Name of Notary

My Commission expires:

02-14-98

[Notary Seal Appears here]

WORKING CAPITAL LINE OF CREDIT AND SECURITY AGREEMENT
[SERVICING SECURED]

BETWEEN

HOMEOWNERS MORTGAGE & EQUITY, INC.,
A DELAWARE CORPORATION, D/B/A HOME, INC.,
AS THE BORROWER

AND

GUARANTY FEDERAL BANK, F.S.B.
AS THE BANK

DATED AS OF NOVEMBER 8, 1996

WORKING CAPITAL LINE OF CREDIT AND SECURITY AGREEMENT

THIS WORKING CAPITAL LINE OF CREDIT AND SECURITY AGREEMENT (the
"Agreement"), dated effective as of, although not necessarily executed on,

November 8, 1996 by and between HOMEOWNERS MORTGAGE & EQUITY, INC., a Delaware
corporation, d/b/a HOME, INC., having its principal office at 6836 Austin Center
Blvd., Suite 280, Austin, Texas 78731 (the "Borrower"), and GUARANTY FEDERAL

BANK, F.S.B., a federal savings bank having an office at 8333 Douglas Avenue,
Dallas, Texas 75225 (the "Bank").

WHEREAS, the Borrower has requested the Bank, and the Bank is willing, to
extend a revolving line of credit to the Borrower to finance the working capital
requirements of Borrower, and the parties desire to set forth herein the terms
and conditions under which Advances under the line of credit shall be made and
security provided for the repayment thereof;

NOW, THEREFORE, the parties hereto hereby agree as follows:

ARTICLE I
DEFINITIONS

Section 1.1 Defined Terms.

Capitalized terms defined below or elsewhere in this Agreement (including
the Exhibits hereto) shall have the following meanings:

"Accounts" shall have the meaning assigned to such term in the UCC.

"Adjusted Tangible Net Worth" shall mean, as of any date, the amount equal

to (i) the sum of (A) the Net Worth of Borrower as of such date plus (B) an
amount equal to ninety percent (90%) of the Capitalized Servicing of Borrower as
of such date plus (C) an amount equal to ninety percent (90%) of the Excess

Servicing Receivables of Borrower, minus (ii) the value of all Intangible Assets, Capitalized Servicing, Excess Servicing Receivables and receivables from Affiliates of Borrower on such date.

"Advance" means a disbursement by the Bank under the Commitment, including

readvances of funds previously advanced to the Borrower and repaid to the Bank.

"Advance Request" has the meaning set forth in Section 2.2(a) hereof.

"Affiliate" shall mean (i) any Person (hereinafter defined) directly or

indirectly (through one or more intermediaries) controlling, controlled by or under common control, with the Person in question, which in the case of a Person which is a partnership, shall include each of the constituent partners, whether general or limited partners thereof, or (ii) any Person who is a director, shareholder, officer or employee of (a) such Person or (b) any person described in the preceding clause (i). The term "control", as used in the immediately preceding sentence, means, with respect to a corporation, any ownership interest which exceeds ten percent (10%) of the issued and outstanding stock in such corporation, and, with respect to an entity that is not a corporation, the possession, directly or indirectly, of any ownership interest which exceeds ten percent (10%) of the ownership interests in such entity.

"Agency" or "Agencies" shall mean FHLMC, FNMA and/or GNMA.

"Agency Servicing Accounts" means any "account," as such term is defined in

the UCC, now or hereafter owned by Borrower that arises from any Agency Servicing Agreements, and shall include, to the extent not

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contained in such definition of "account", but shall not be limited to, all accounts receivable, contracts, book debts, notes, drafts, instruments, documents, acceptances and other forms of obligations now owned or hereafter received or acquired by or belonging or owing to Borrower under the Agency Servicing Agreements (including under any trade names, styles or divisions thereof), all moneys due or to become due to Borrower under the Agency Servicing Agreements for the performance of services by it, including, without limitation, all Rights of Borrower to enforce, collect and receive payments on such Agency Servicing Accounts arising from Agency Servicing Agreements and to bring an action to enforce such Agency Servicing Accounts, the balance of every deposit account, now or hereafter acquired, of Borrower arising from Agency Servicing Agreements and any other claim of Borrower arising from Agency Servicing Agreements, now or hereafter existing and all collateral security and guarantees of any kind given by any Person with respect to any of the foregoing arising from Agency Servicing Agreements.

"Agency Servicing Agreements" means all agreements pursuant to which the

Borrower undertakes to service Mortgage Notes and Mortgages or pools of Mortgage Notes and Mortgages owned, insured or guaranteed by FNMA, FHLMC or GNMA.

"Agency Servicing Payments" means all amounts payable or reimbursable to

Borrower in connection with its Agency Servicing Rights, including but not limited to, (i) amounts paid to Borrower directly by Agencies and (ii) amounts recoverable by Borrower directly out of custodial payments and other amounts in or for deposit into the Custodial Accounts, (iii) accounts recoverable by Borrower from advances made by Borrower pursuant to the FNMA Guide, and (iv) the servicing income and fees payable to the Borrower under such Agency Servicing Agreement.

"Agency Servicing Records" means all contracts and other documents, books,

records and other information (including without limitation, computer programs, tapes, discs, punch cards, data processing software and related property and rights) maintained with respect to the Agency Servicing Agreements.

"Agency Servicing Rights" means all of the Borrower's right, title and

interest in and under the Agency Servicing Agreements, including, without limitation, the rights of the Borrower to income and reimbursement thereunder including without limitation the rights to any Excess Servicing Receivable.

"Agreement" means this Working Capital Line of Credit and Security

Agreement, either as originally executed or as it may from time to time be supplemented, modified or amended.

"Appraisal" means a written statement complying with Appraisal Laws and

Regulations as to the market value of the Excess Servicing Rights for Eligible Collateral from an appraiser acceptable to Bank in its sole discretion.

"Appraisal Laws and Regulations" means laws set forth in Title XI of the

Financial Institutions Reform, Recovery and Enforcement Act of 1989 and the Federal Deposit Insurance Corporation Improvement Act of 1991 and regulations promulgated by the Office of the Comptroller of the Currency (the "OCC") or any

other Governmental Authority in connection therewith regarding Appraisals with respect to loans made by Persons regulated by the OCC.

"Appraised Value" shall mean the value established by an Appraisal obtained

by Bank from an appraiser acceptable to Bank in its sole discretion.

"Bank" has the meaning set forth in the first paragraph of this Agreement.

"Base Rate" means the rate of interest per annum equal to the base or prime

rate for commercial loans as publicly announced from time to time by Bank, as the same may vary from time to time upward or downward with (and effective as of the date of) each announcement, without notice to Borrower or any guarantor (such rate being set by Bank as a general rate of reference, taking into account such factors as Bank may deem appropriate, it being

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understood that many of its commercial and other loans are priced in relation to such rate, that it is not necessarily the lowest or best rate actually charged to any of Bank's customers and that it may make various commercial or other loans at rates of interest having no relationship to such rate), subject,

however, to the right of Bank, at any time and from time to time, to substitute

a substantially comparable reference rate of interest in lieu of the base rate of Bank, upon giving notice to Borrower.

"Borrower" shall have the meaning assigned to such term in the preamble

hereof.

"Business Day" means any day excluding Saturday, Sunday and any day which

is a legal holiday under the laws of the State of Texas.

"Capitalized Servicing" shall mean the servicing owned by Borrower which is

capitalized on the balance sheet of Borrower in accordance with GAAP.

"Cash Equivalents" shall mean (i) securities issued or directly and fully

guaranteed or insured by the United States Government or any agency or instrumentality thereof which mature within ninety days from the date of acquisition and (ii) time deposits and certificates of deposit, which mature within ninety days of the date of acquisition of any domestic commercial bank having capital and surplus in excess of \$200,000,000.00, which has, or the holding company of which has, a commercial paper rating of at least A-1 or the equivalent thereof by Standard & Poors Corporation or P-1 or the equivalent thereof by Moody's Investors Service, Inc.

"Certificated Securities" shall have the meaning assigned to such term in

the UCC.

"Chattel Paper" shall have the meaning assigned to such term in the UCC.

"Collateral" has the meaning set forth in Section 3.1 hereof.

"Collateral Value" shall mean the lesser of (A) fifty percent (50%) of the

Appraised Value of the Excess Servicing Receivables relating to Eligible
Collateral pledged to Bank, as determined on the date hereof, on the date of any
Advance and on January 1, April 1, July 1 and October 1 of each year by an
appraiser acceptable to Bank in its sole discretion, which appraisal shall be
paid for by Borrower or (B) the amount of such Excess Servicing Receivables
capitalized on Borrower's balance sheet in accordance with GAAP.

"Commitment" has the meaning set forth in Section 2.1(a) hereof.

"Commitment Fee" has the meaning set forth in Section 2.11 hereof.

"Compliance Certificate" shall mean the form of certificate attached hereto

as Exhibit "F".

"Conventional Equity Recovery Loan" shall mean a Conventional Loan which is

secured by a first or second lien mortgage on a non-homestead second or vacation
home and the proceeds are not used for the purchase of the home.

"Conventional Home Improvement Loan" shall mean a Conventional Loan which

is secured by a second lien mortgage and the proceeds of which are utilized
solely for construction of improvements to the home encumbered by such Mortgage.

"Conventional Loan" means a Mortgage Loan (excluding FHA Loans and VA

Loans) reasonably satisfactory to the Bank, which conforms to the eligibility
requirements established by an Investor pursuant to the requirements of a Take-
out Commitment acceptable to Bank.

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"Conventional Mortgage Loan" means a Mortgage Loan other than a FHA-insured

or VA-guaranteed Mortgage Loan.

"Conventional Purchase Money Second Lien Loan" shall mean a Conventional

Loan which is secured by a second lien mortgage and the proceeds of which are
utilized to purchase the home encumbered by such Mortgage.

"Custodial Accounts" means all deposit accounts maintained by Borrower or a

subservicer for the benefit of any Agency pursuant to the related Agency
Servicing Agreement.

"Custodian" means the organization which holds documents relating to pooled

Mortgage Loans on the Borrower's and GNMA'S, FNMA's or FHLMC's behalf.

"Debt" means, with respect to any Person, at any date (a) all indebtedness

or other obligations of such Person which, in accordance with GAAP, would be
included in determining total liabilities as shown on the liabilities side of a
balance sheet of such Person at such date; (b) all indebtedness or other
obligations of such Person for borrowed money or for the deferred purchase price
of property or services; (c) all indebtedness or other obligations of any other
Person for borrowed money or for the deferred purchase price of property or
services in respect of which such Person is liable, contingently or otherwise,

to pay or advance money or property as guarantor, endorser, or otherwise (except as endorser of negotiable instruments for collection in the ordinary course of business), or which such Person has agreed to purchase or otherwise acquire; and (d) all indebtedness for borrowed money or for the deferred purchase price of property or services secured by a Lien on any property owned or being purchased by such Person (even though such Person has not assumed or otherwise become liable for the payment of such indebtedness) to the extent that such indebtedness would not be otherwise counted as a liability for purposes of determining the Tangible Net Worth of such Person and to the extent that such indebtedness does not exceed the net book value for such property.

"Default" means the occurrence of any event or existence of any condition

which, but for the giving of notice, the lapse of time, or both, would constitute an Event of Default.

"Eligible Collateral" means non-recourse FNMA Servicing Rights owned by the

Borrower and for which Mortgage Loans serviced are no more than sixty (60) days delinquent, are not in the process of foreclosure or bankruptcy and are qualified as FNMA Title I Loans.

"ERISA" means the Employee Retirement Income Security Act of 1974, as

amended from time to time and any successor statute.

"ERISA Affiliate" of Borrower or any Subsidiary of Borrower shall mean any

trade or business (whether or not incorporated) which, together with Borrower or such Subsidiary, as the case may be, would be treated as a single employer under Section 4001 of ERISA.

"Event of Default" means any of the conditions or events set forth in

Section 8.1 hereof.

"Excess Servicing Receivables" shall mean the difference between (A) in the

note rate of a Mortgage Loan which is being serviced under an Agency Servicing Agreement for FNMA and (B) the sum of (i) the rate paid with respect to such Mortgage Loan by Borrower to FNMA under such Agency Servicing Agreement plus (ii) the subservicing fee payable to the applicable Subservicer.

"Exchange Act" means the Securities Exchange Act of 1934, as amended from

time to time and any successor statute.

"FHA" means the Federal Housing Administration of the United States

Department of Housing and Urban Development and any successor thereto.

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"FHA Loan" shall mean a Mortgage Loan, payment of which is completely

insured by the FHA under the National Housing Act or Title V of the Housing Act of 1949 or with respect to which there is a current, binding and enforceable commitment for such insurance issued by the FHA.

"FHLMC" shall mean the Federal Home Loan Mortgage Corporation, a wholly-

owned corporate instrumentality of the United States of America created pursuant to the Emergency House Finance Act of 1970, or its successor.

"FHLMC Acknowledgment Agreement" means the form acknowledgment agreement

employed by FHLMC in respect of assignments of FHLMC Servicing Rights.

"FHLMC Guide" means the FHLMC Sellers' & Servicers' Guide, as amended,

modified or supplemented from time to time.

"FHLMC Securities" means participation certificates representing undivided

interests in mortgage loans purchased by FHLMC pursuant to the Emergency Home Finance Act of 1970, as amended.

"FHLMC Servicing Rights" means Agency Servicing Rights that pertain to

FHLMC Securities.

"FICA" means the Federal Insurance Contributions Act.

"FNMA" means The Federal National Mortgage Association and any successor

thereto.

"FNMA Acknowledgment Agreement" means the form acknowledgment agreement

employed by FNMA in respect of assignments of FNMA Servicing Rights.

"FNMA Guide" means the FNMA Selling Guide and the FNMA Servicing Guide, as

amended, modified or supplemented from time to time.

"FNMA Securities" means modified pass-through mortgage-backed certificates

guaranteed by FNMA pursuant to the National Housing Act, as amended.

"FNMA Servicing Rights" means Agency Servicing Rights that pertain to FNMA

Securities.

"FNMA Title I Loan" shall mean a home improvement Mortgage Loan which FNMA

has determined has qualified under the FNMA requirements for Title I Loans under the FNMA Guide and is insured by FHA.

"Funding Account" shall mean the non-interest bearing demand checking

account (Account Number 3940000965) established by Borrower with the Bank to be used for the deposit of proceeds of Advances.

"Generally Accepted Accounting Principles" or "GAAP" shall mean those

generally accepted accounting principles and practices which are recognized as such by the American Institute of Certified Public Accountants acting through its Accounting Principles Board or by the Financial Accounting Standards Board or through other appropriate boards or committees thereof and which are consistently applied for all periods after the date hereof, except that any accounting principle or practice required to be changed by the said Accounting Principles Board or Financial Accounting Standards Board (or other appropriate board or committee of the said Boards) in order to continue as a generally accepted accounting principle or practice may so be changed.

"GAAP Net Worth" means with respect to any Person at any date, the excess

of the total assets over total liabilities of such Person on such date, each to be determined in accordance with GAAP.

"General Intangibles" shall have the meaning assigned to such term in the

UCC.

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"GNMA" shall mean the Government National Mortgage Association, a wholly-

owned corporate instrumentality of the United States of America within the Department of Housing and Urban Development, or its successor.

"GNMA Guide" means the GNMA I and GNMA II Mortgage Backed Securities

Guides, GNMA Handbooks 5500.1 and 5500.2, as amended, modified or supplemented from time to time.

"GNMA Securities" shall mean modified pass-through type mortgage backed

certificates guaranteed by GNMA pursuant to Section 306(g) of the National
Housing Act, as amended.

"GNMA Servicing Rights" means Agency Servicing Rights that pertain to GNMA

Securities.

"Guarantor" means HOMECAPITAL Investment Corporation, a Nevada corporation.

"Guaranty" of any Person shall mean any contract, agreement or

understanding of such Person pursuant to which such Person guarantees, or in
effect guarantees, any Indebtedness of any other Person (the "Primary Obligor")

in any manner, whether directly or indirectly, including without limitation
agreements: (i) to purchase such Indebtedness or any property constituting
security therefor; (ii) to advance or supply funds (A) for the purchase or
payment of such Indebtedness, or (B) to maintain working capital or other
balance sheet conditions, or otherwise to advance or make available funds for
the purchase or payment of such Indebtedness; (iii) to purchase property,
securities or service primarily for the purpose of assuring the holder of such
Indebtedness of the ability of the Primary Obligor to make payment of the
Indebtedness; or (iv) otherwise to assure the holder of the Indebtedness of the
Primary Obligor against loss in respect thereof; except that "Guaranty" shall

not include the endorsement in the ordinary course of business of negotiable
instruments or documents for deposit or collection.

"HUD" means the United States Department of Housing and Urban Development

or any successor thereto.

"Indebtedness" of any Person shall mean (i) all indebtedness of such

Person, whether or not represented by bonds, debentures, notes or other
securities, for the repayment of money borrowed, (ii) all deferred indebtedness
of such Person for the payment of the purchase price of property or assets
purchased, (iii) all obligations of such Person under any lease which are
required to be capitalized for balance sheet purposes, (iv) all Guaranties of
such Person, (v) all indebtedness secured by any Lien existing on property owned
by such Person, whether or not the indebtedness secured thereby shall have been
assumed by such Person, (vi) all unfunded benefit liabilities (within the
meaning of 4001(a)(18) of ERISA) under each Plan maintained by such Person or
its Related Persons, (vii) any obligation of such Person (a) created or arising
under any conditional sale or other title retention agreement with respect to
property acquired by such Person, or (b) under letters of credit, acceptances or
similar obligations issued or created for the account of such Person.

"Indemnified Liabilities" has the meaning set forth in Section 9.3 hereof.

"Instruments" shall have the meaning assigned to such term in the UCC.

"Insurer" means FHA, VA or a private mortgage insurer, as applicable.

"Intangible Assets" of any Person shall mean those assets of such Person

which are (i) deferred assets, (ii) contract rights to service mortgage loans,
patents, copyrights, trademarks, trade names, franchises, goodwill, experimental
expenses, and other similar assets which would be classified as intangible on a
balance sheet of such Person prepared in accordance with GAAP, (iii) unamortized
debt discount and expense and (iv) assets located, and notes and receivables due
from obligors domiciled outside the United States of America.

"Internal Revenue Code" means the Internal Revenue Code of 1986, or any

subsequent federal income tax law or laws, as any of the foregoing have been or
may from time to time be amended.

"Investor" means FNMA, FHLMC or GNMA or a financially responsible private

institution (which is deemed acceptable by the Bank in its sole discretion)
purchasing Mortgage Loans from the Borrower.

"Lien" means any lien, mortgage, deed of trust, pledge, security interest,

charge or encumbrance of any kind (including any conditional sale or other title
retention agreement, any lease in the nature thereof, and any agreement to give
any security interest).

"Liquidity" means the sum of (a) Borrower's lien free Cash Equivalents and

(b) Borrower's availability (loan amount minus funds advanced) under the
Warehousing Credit Facility to borrow additional funds under such credit
facility.

"Loan Documents" shall mean instruments and documents representing,

evidencing or securing the Indebtedness evidenced by the Note.

"Margin Stock" has the meaning assigned to that term in Regulation U of the

Board of Governors of the Federal Reserve System as in effect from time to time.

"Material Adverse Effect" shall mean any event or set of circumstances that

(i) would have a material adverse effect on the validity or enforceability of
this Agreement, the Note or any Loan Document, (ii) is, or upon the passage of
time or happening of an event will be, material and adverse to the financial
condition or business operations of Borrower or Guarantor, or (iii) would
materially impair the ability of Borrower or Guarantor to fulfill its
obligations under this Agreement, the Note or any Loan Document to which it is a
party.

"Maturity Date" shall mean November 7, 1997.

"Maximum Rate" means at the particular time in question the maximum rate of

interest which, under applicable law, may then be charged on the Note. If such
maximum rate of interest changes after the date hereof, the Maximum Rate shall
be automatically increased or decreased, as the case may be, without notice to
Borrower from time to time as of the effective time of each change in such
maximum rate. If applicable law ceases to provide for such a maximum rate of
interest, the Maximum Rate shall be a per annum rate of interest equal to six
percent (6.0%) plus the Base Rate from time to time in effect. Notwithstanding
anything contained herein or in the Note to the contrary, Bank shall not be
deemed to have contracted for or be entitled to receive, collect or apply as
interest on the Note, any amount in excess of the amount permitted and
calculated at the Maximum Rate, and, in the event Bank ever receives, collects
or applies as interest any amount in excess of the amount permitted and
calculated at the Maximum Rate, such amount which would be excessive interest
shall be applied to the reduction of the unpaid principal balance of the Note,
and, if the principal balance of the Note is paid in full, any remaining excess
shall forthwith be paid to Borrower. In determining whether or not the interest
paid or payable under any specific contingency exceeds the Maximum Rate,
Borrower and Bank shall, to the maximum extent permitted under applicable law,
(i) characterize any non-principal payment (other than payments which are
expressly designated as interest payments hereunder) as an expense, fee, or
premium, rather than as interest, (ii) exclude voluntary prepayments and the
effect thereof, and (iii) spread the total amount of interest throughout the
entire contemplated term of the Note.

To the extent that Article 5069-1.04 of the Texas Revised Civil Statutes is
relevant to the Bank for the purpose of determining the Maximum Rate, the Bank
hereby elects to determine the applicable rate ceiling under such Article by the
"indicated rate ceiling" from time to time in effect, subject to the Bank's
right subsequently to change such method in accordance with applicable law.

"Mortgage" shall mean a mortgage or deed of trust, on standard forms

approved by VA, FHA, FNMA or FHLMC or otherwise in form and substance
satisfactory to Bank, granting a perfected first-priority (or second-priority in

the case of a Second Lien Mortgage Loan or inferior lien in the case of a FNMA Title I Loan) lien on

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residential real property consisting of land and a single family (1-4 family) dwelling thereon which is completed and ready for occupancy.

"Mortgage Loan" means a loan evidenced by a Mortgage Note. A Mortgage Loan

shall be a Residential Mortgage Loan and may be a Conventional Loan, a Conventional Equity Recovery Loan, Conventional Home Improvement Loan, a Conventional Purchase Money Second Lien Loan or a FNMA Title I Loan.

"Mortgage Loan Documents" means the Mortgage, Mortgage Note, credit and

closing packages, disclosures, and all other records and documents necessary to establish the eligibility of the Mortgage Loans for mortgage insurance or guarantee by an Insurer or for purchase by an Investor.

"Mortgage Note" means a note secured by a Mortgage and evidencing a

Mortgage Loan.

"Mortgage Note Amount" means the outstanding unpaid principal amount of a

Mortgage Note at the time such Mortgage Note is pledged to the Bank.

"Multiemployer Plan" means a "multiemployer plan" as defined in Section

4001(a)(3) of ERISA which is maintained for employees of the Borrower or a Subsidiary of the Borrower.

"Net Collateral Deficit" means, at any time, the amount, if any, by which

the aggregate Collateral Value of all Eligible Collateral is exceeded by the outstanding principal balance of the Loan, as determined by Bank in its sole discretion.

"Net Income" means, for any period of time, the net income appearing on an

income statement of such Person prepared as of the end of such calendar quarter in accordance with GAAP.

"Net Worth" of any Person shall mean, as of any date, the total

shareholder's equity (including capital stock, additional paid-in capital and retained earnings after deducting treasury stock) which would appear on a balance sheet of such Person prepared as of such date in accordance with GAAP.

"Non-Agency Servicing Accounts" means any "account," as such term is

defined in the UCC, now or hereafter owned by Borrower that arises from any Non-Agency Servicing Agreement, and shall include, to the extent not contained in such definition of "account", but shall not be limited to, all accounts receivable, contracts, book debts, notes, drafts, instruments, documents, acceptances and other forms of obligations now owned or hereafter received or acquired by or belonging or owing to Borrower under the Non-Agency Servicing Agreements (including under any trade names, styles or divisions thereof), all moneys due or to become due to Borrower under the Non-Agency Servicing Agreements for the performance of services by it, including, without limitation, all Rights of Borrower to enforce, collect and receive payments on such Non-Agency Servicing Accounts arising from Non-Agency Servicing Agreements and to bring an action to enforce such Non-Agency Servicing Accounts, the balance of every deposit account, now or hereafter acquired, of Borrower arising from Non-Agency Servicing Agreements and any other claim of Borrower arising from Non-Agency Servicing Agreements, now or hereafter existing and all collateral security and guarantees of any kind given by any Person with respect to any of the foregoing arising from Non-Agency Servicing Agreements.

"Non-Agency Servicing Agreements" means all agreements pursuant to which

the Borrower undertakes to service Mortgage Notes and Mortgages or pools of Mortgage Notes and Mortgages for any Party other than an Agency which are

acquired by Borrower.

"Non-Agency Servicing Payments" means all amounts payable or reimbursable

to Borrower in connection with its Non-Agency Servicing Rights, including but not limited to, (i) amounts paid to Borrower directly by Agencies and (ii) amounts recoverable by Borrower directly out of custodial payments and other amounts in or for deposit into the Custodial Accounts, (iii) accounts recoverable by Borrower from advances made by Borrower

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pursuant to the Non-Agency Servicing Agreement, and (iv) the servicing income and fees payable to the Borrower under such Non-Agency Servicing Agreement.

"Non-Agency Servicing Records" means all contracts and other documents,

books, records and other information (including without limitation, computer programs, tapes, discs, punch cards, data processing software and related property and rights) maintained with respect to the Non-Agency Servicing Agreements.

"Non-Agency Servicing Rights" means all of the Borrower's right, title and

interest in and under the Non-Agency Servicing Agreements, including, without limitation, the rights of the Borrower to income and reimbursement thereunder.

"Note" has the meaning set forth in Section 2.3 hereof.

"Notices" has the meaning set forth in Article 11 hereof.

"Operating Account" means the non-interest bearing demand deposit account

(Account Number 3206017075) established by the Borrower with the Bank which account, subject to the provisions of Section 11.19 (regarding the Bank's offset rights), is subject to the sole dominion and control of the Borrower.

"PBGC" shall mean the Pension Benefit Guaranty Corporation and any

successor to any or all of the Pension Benefit Guaranty Corporation's functions under ERISA.

"Person" means and includes natural persons, corporations, limited

partnerships, general partnerships, joint stock companies, joint ventures, associations, companies, trusts, banks, trust companies, land trusts, business trusts or other organizations, whether or not legal entities, and governments and agencies and political subdivisions thereof.

"Plan" shall mean any employee benefit plan or other plan which is subject

to the provisions of Title IV of ERISA or to the minimum funding standards under Section 412 of the Code and which is maintained for employees of Borrower or any Subsidiary of Borrower or any of their respective ERISA Affiliates.

"Redemption Amount" has the meaning set forth in Section 3.3 hereof.

"Reportable Event" shall mean a reportable event described in Section 4043

of ERISA or the regulations thereunder for which the 30-day notice is not waived by such regulations, a withdrawal from a Plan described in Section 4063 or 4064 of ERISA, or a cessation of operations described in Section 4062(e) of ERISA.

"Requirement of Law" as to any Person shall mean the articles of

incorporation and by-laws or other organizational or governing documents of such Person, and any law, statute, code, ordinance, order, rule, regulation, judgment, decree, injunction, franchise, permit, certificate, license, authorization or other determination, direction or requirement (including, without limitation, any of the foregoing which relate to environmental standards

or controls, energy regulations and occupational, safety and health standards or controls) of any arbitrator, court or other governmental authority, in each case applicable to or binding upon such Person or any of its Property or to which such Person or any of its Property is subject.

"Reserve Requirements" means (a) the maximum aggregate reserve requirement imposed on Bank (including all basic, supplemental, marginal and other reserves and taking into account any transitional adjustments or other scheduled changes in reserve requirements) that is imposed on non-personal time deposits of \$100,000 or more, and (b) the net assessment rate per annum payable to the Federal Deposit Insurance Corporation (or any successor) for the insurance of domestic deposits of Bank during the calendar year in which such assessment rate is determined, as reasonably estimated by Bank.

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"Residential Mortgage Loan" means a Mortgage Loan secured by a Mortgage covering improved real property containing a one- to four-family residence.

"Sales Agreements" means all commitments and sales agreements with respect to all or any portion of any assets of Borrower relating to Agency Servicing Agreements, Agency Servicing Records, Agency Servicing Rights, Non-Agency Servicing Agreements, Non-Agency Servicing Records, Non-Agency Servicing Rights, Subservicing Contracts or any other Collateral.

"Sales Proceeds" means, as to any sale of any Collateral including but not limited to sales of Servicing Rights, the gross proceeds paid or to be paid to or received by Borrower, whether paid or payable in cash or to be paid pursuant to the terms of an agreement or debt instrument, less the reasonable and necessary expenses of such sale as approved by Bank.

"Second Lien Mortgage Loan" shall mean a Mortgage Loan which qualifies under the definition of Mortgage Collateral except for the fact that it is secured by a Mortgage which grants a perfected second-priority lien on residential real property consisting of land and a single family (1-4 family) dwelling thereon which is completed and ready for occupancy. Such Mortgage Loan shall be a Covered Mortgage Loan.

"Servicing Agreement" means the rights and obligations of the Borrower, as servicer, pursuant to any Agency Servicing Agreements and any Non-Agency Servicing Agreements including but not limited to those identified on Exhibit

"E" attached hereto or made part hereof, as the same may be revised from time to time, or such other servicing contracts to which Borrower is or may be a party, to administer, collect the payments for the reduction of principal and application of interest, pay taxes and insurance, remit collected payments, provide foreclosure services, provide full escrow administration and any other obligations required by any Investor or Insurer in, of or for the Mortgage Loans pursuant to the Servicing Agreements, together with the right to receive the servicing fee and any ancillary fees arising from or connected to the Mortgage Loans.

"Settlement Account" shall mean the non-interest bearing demand checking account (Account No. 3940000973) established by Borrower with the Bank to be used for (i) the deposit of proceeds from the sale of Collateral and (ii) the payment of the Indebtedness evidenced by the Loan Documents.

"Statement Date" has the meaning set forth in Section 4.1(a) (7) hereof.

"Subservicer" shall mean Compu-Link Corporation or any other Person acting as a subservicer for Borrower with respect to Non-Agency Servicing Agreements and/or Agency Servicing Agreements.

"Subservicing Contracts" means any agreement between Borrower and any

other party providing for the delegation of obligations and liabilities of Borrower under any Servicing Agreement to such third party including but not limited to those listed on Exhibit "L", whether now existing or hereafter

entered into.

"Subsidiary" means, with respect to any Person, any corporation,

association, partnership, joint venture, or other business or corporate entity, enterprise or organization which is directly or indirectly (through one or more intermediaries) controlled by or owned in any percentage by such Person.

"Tangible Net Worth" of Borrower shall mean at any time, as determined by

GAAP, an amount equal to the sum of (i) Borrower's Net Worth, minus (ii) the value of all assets of Borrower that would be characterized as Intangible Assets.

"UCC" shall mean the Uniform Commercial Code as adopted in the State of

Texas, TEX. BUS. & COM. CODE ANN. (S)1.101 ET SEQ. (Vernon 1968 and Supp. 1991), as the same may hereafter be amended.

"Uncertificated Securities" shall have the meaning assigned to such term in

the UCC.

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"VA" means the Department of Veterans Affairs and any successor thereto.

"Warehousing Credit Facility" means that certain line of credit from Bank

to Borrower evidenced by that certain Loan Agreement by and between Borrower and Bank dated as of June 1, 1996, together with all amendments, modifications and extensions thereto.

Section 1.2 Other Definitional Provisions.

1.2(a) All meanings defined in this Agreement shall have the above-defined meanings when used in the Note or any Loan Document, certificate, report or other document made or delivered pursuant to this Agreement, unless the context therein shall otherwise require.

1.2(b) Defined terms used herein in the singular shall import the plural and vice versa.

1.2(c) The words "hereof," "herein," "hereunder" and similar terms when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement.

1.2(d) Section, schedule and exhibit references herein are references to sections, schedules and exhibits to this Agreement unless otherwise specified.

1.2(e) As used herein, in the Note, or in any other Loan Document, certificate, report or other document made or delivered pursuant hereto, accounting terms relating to any Person and not specifically defined in this Agreement or otherwise shall have the respective meanings given to them under GAAP.

1.2(f) Unless otherwise specified herein, all times set forth herein are Dallas, Texas time.

ARTICLE II
THE CREDIT

Section 2.1 The Commitment

2.1(a) Subject to the terms and conditions of this Agreement and provided no Event of Default has occurred and no Default has occurred and is continuing, the Bank agrees, from time to time during the period from the date hereof to the Maturity Date (unless such period is earlier determined pursuant hereto) make Advances to, or on behalf of the Borrower or its designee, provided the total aggregate principal amount which is outstanding at any one time of all such Advances shall not exceed Three Million and No/100 Dollars (\$3,000,000.00). The obligation of the Bank to make Advances hereunder up to such limits is hereinafter referred to as the "Commitment". Within the Commitment, the

Borrower may borrow, repay and reborrow. Notwithstanding the foregoing, the Bank shall not be obligated to make Advances hereunder at all or up to any specified aggregate limit unless the Borrower elects to pay the Commitment Fee specified in Section 2.11 hereof, in which event this Agreement shall govern any

Advances that the Bank from time to time elects in its sole discretion to make to the Borrower.

2.1(b) Advances shall be used by the Borrower solely for the purpose of funding the working capital requirements of Borrower and shall be made at the request of the Borrower, in the manner hereinafter provided in Section 2.2, against the pledge of Eligible Collateral.

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2.1(c) No Advance shall exceed the Collateral Value of the Eligible Collateral pledged in connection with such Advance.

2.1(d) No Net Collateral Deficit shall exist before or after such Advance.

2.1(e) Borrower shall be in compliance with all provisions contained in the Loan Documents including but not limited to those covenants stated on the Compliance Schedule.

Section 2.2 Procedures for Obtaining Advances.

2.2(a) The Borrower may obtain an Advance hereunder, subject to the satisfaction of the conditions set forth in Sections 4.1 and 4.2 hereof, upon

compliance with the procedures set forth in this Section 2.2. Requests for

Advances shall be initiated by the Borrower by delivering to the Bank a completed and signed request for an Advance (an "Advance Request") on the then

current form therefor approved by the Bank. The current form in use by the Bank is set forth in Exhibit "C" hereto. The Bank shall have the right to revise or

supplement approved forms of Advance Request by giving notice thereof to the Borrower.

2.2(b) Each Advance under this Agreement shall be in the aggregate amount of not less than \$100,000.00. The obligation of the Bank to make any Advance is subject to the following further conditions precedent:

(i) prior to 9:00 p.m. (Dallas, Texas time) on the Business Day five (5) Business Days prior to the Borrowing Date, Borrower shall give to the Bank telephonic or teletype notice of the amount of such Borrowing and (ii) prior to 10:30 a.m. (Dallas, Texas time) on the Business Day five (5) Business Days prior to the Borrowing Date, Bank shall have received from the Borrower via teletype or Federal Express an executed Advance Request;

(ii) prior to the deadlines stated in Section 2.2(b)(i), Borrower

shall deliver to the possession of the Bank all of the items required to be delivered to the Bank by Section 2.2(c);

(iii) the representations and warranties of Borrower contained in this Agreement or any Loan Document (other than those representations and

warranties which are by their terms limited to the date of the agreement in which they are initially made) shall be true and correct in all material respects on and as of the date of such Advance;

(iv) no Default or Event of Default shall have occurred and be continuing as of the date of such Advance;

(v) no circumstance or event, as determined by the Bank in its reasonable discretion, having a Material Adverse Effect shall have occurred and be continuing;

(vi) the Funding Account, the Settlement Account and the Operating Account shall be established and in existence; and

(vii) no Net Collateral Deficit shall exist.

2.2(c) The procedures to be followed by the Borrower in making an Advance Request, are as follows. The Borrower shall provide to Bank at least five (5) Business Days prior to the Borrowing Date the following:

(i) an Appraisal showing the Collateral Value for the Eligible Collateral including the new Eligible Collateral being pledged in connection with Advance Request;

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(ii) an executed Advance Request;

(iii) a true, correct and complete copy of the applicable Servicing Agreement;

(iv) such amendments to Loan Documents as are deemed necessary by Bank in its sole discretion to grant Bank a perfected first lien security interest in the Collateral including Financing Statements;

(v) Acknowledgment Agreements for the applicable Servicing Agreements;

(vi) a UCC search for all applicable jurisdictions; and

(vii) a Borrowing Base Report (herein so called) in the form attached hereto as Exhibit "D".

2.2(d) Before funding any Advance, the Bank shall have a reasonable time to examine each Advance Request and the Collateral Documents to be delivered prior to the Advance, and may reject any Advance Request or Collateral Document that does not meet the requirements of this Agreement.

2.2(e) To make an Advance, the Bank shall transfer funds to the Borrower's Funding Account in the amount of the Advance in accordance with the procedures described herein.

2.2(f) All Advances under this Agreement shall constitute a single indebtedness and all of the Collateral shall be security for the Note and for the performance of all obligations of the Borrower to the Bank.

Section 2.3 Note. The Borrower's obligation to pay the principal of,

and interest on, all Advances made by the Bank shall be evidenced by the promissory note (the "Note") of the Borrower dated as of the date hereof

substantially in the form of Exhibit "A" attached hereto. The term "Note" shall

include all extensions, renewals and modifications of the Note and all substitutions therefor. All terms and provisions of the Note are incorporated herein.

Section 2.4 Interest & Transaction Fees.

2.4(a) The unpaid amount of each Advance shall bear interest, from the date of such Advance until paid in full, at the rate per annum equal to the lesser of (a) the Maximum Rate or, (b) the rate of interest, from time to time, which is equal to two and one quarter percent (2.25%) per annum over the Base

Rate. The interest rate shall be computed on the basis of a 360 day year applied to the actual number of days elapsed in each interest calculation period. The interest rate will be adjusted as of the effective date of each change in the Base Rate.

2.4(b) All interest shall be payable to the Bank as provided in the Note.

2.4(c) The holder of the Note is hereby authorized to record the date and amount of each payment of principal and interest, and applicable interest rates and other information with respect thereto, on the schedules annexed to and constituting a part of the Note and any such recordation shall constitute prima facie evidence of the accuracy of the information so recorded; provided, however, that the failure to make a notation or the inaccuracy of any notation shall not limit or otherwise affect the obligations of the Borrower hereunder or thereunder.

Section 2.5 Principal Payments.

2.5(a) The outstanding principal amount of each Advance shall be payable in full upon the earliest to occur of (i) demand, or (ii) Maturity Date.

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2.5(b) The Borrower shall have the right to prepay the outstanding Advances in whole or in part, from time to time, without premium or penalty or advance notice.

2.5(c) The Borrower shall be obligated to pay to the Bank, without the necessity of prior demand or notice from the Bank, and the Borrower authorizes the Bank to charge its account for, the amount of any outstanding Advance attributable to the Eligible Collateral or sales proceeds from Collateral, upon the occurrence of any of the following events:

(1) Upon sale of any Collateral or the receipt of any sales proceeds by Borrower;

(2) Any obligor of a Mortgage Loan serviced under the Eligible Collateral shall have contested the validity of the Mortgage Loan pursuant to the Federal Truth in Lending Act, the Real Estate Settlement Procedures Act, the Equal Credit Opportunity Act, or any other federal or state law or regulation, or any such Mortgage Loan shall have been rescinded, or the Bank, in its reasonable judgment, determines that such Mortgage Loan is not in compliance with applicable federal and/or state laws or regulations;

(3) Any Mortgage securing a Mortgage Loan serviced under the Eligible Collateral shall not continue to be (A) a valid and enforceable Lien (of the priority represented to Bank) on the mortgaged property covered thereby, and in compliance with all laws applicable thereto, (C) in full force and effect, and (C) fully serviced by Borrower (including the collection of all amounts due thereon) or a Subservicer approved by Bank in its sole discretion; or

(4) Any Mortgage Loan serviced under the Eligible Collateral ceases to conform to the eligibility requirements published and established from time to time by FNMA or a private Investor approved by Bank in its sole discretion.

2.5(d). The Borrower shall be obligated to pay to the Bank by direct wire transfer from its purchaser to Bank, without the necessity of prior demand or notice from the Bank, all sales proceeds from the sale of any Collateral. All

contracts relating to the sale of any of the Collateral shall contain as an exhibit the Acknowledgment attached hereto as Exhibit "J" and shall not be

executed unless Borrower delivers to Bank prior to execution of the sales contract by Borrower, a fully executed Acknowledgment.

2.5(e). Upon the occurrence of a Net Collateral Deficit, Borrower shall make a principal prepayment in an amount sufficient to eliminate such Net Collateral Deficit within one (1) business day of the occurrence of the existence of such Net Collateral Deficit.

Section 2.6 Expiration and/or Termination of Commitment

2.6(a) Unless terminated earlier as permitted hereunder, the Commitment shall expire of its term, and without the necessity of action by the Bank, on the Maturity Date.

2.6(b) The Bank shall have the right, without cause, at any time to terminate the Agreement on not less than thirty (30) days' notice to the Borrower.

2.6(c) The Bank shall have the right to terminate this Agreement and any line of credit extended to the Borrower pursuant to the terms of this Agreement, upon any Material Adverse Effect in the Borrower's financial condition as defined by the Bank in its reasonable discretion during the term of this Agreement. Such a Material Adverse Effect of financial condition will include, but shall not be limited to the occurrence of any one or more of the events listed in Section 6.6 hereto.

Section 2.7 Concerning the Funding Account, the Settlement Account and

the Operating Account. The Borrower hereby expressly acknowledges that the

Funding Account, the Settlement Account and the Operating

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Account are subject in all respects to the right of offset in favor of the Bank granted under Section 11.19. Further, it is expressly agreed that:

2.7(a) the Funding Account shall be subject to the sole dominion and control of the Bank who shall disburse amounts from time to time on deposit therein in accordance with the terms of this Agreement;

2.7(b) the Settlement Account shall be subject to the sole dominion and control of the Bank who shall disburse amounts from time to time on deposit therein in accordance with the terms of this Agreement;

2.7(c) subject to the right of offset in favor of the Bank, the Operating Account shall be subject to the sole dominion and control of the Borrower;

2.7(d) nothing other than proceeds of Advances shall be deposited in the Funding Account; and

2.7(e) the Settlement Account shall only be used for (i) proceeds from the sale or other disposition of Collateral and (ii) the payment of the Indebtedness evidenced by the Loan Documents.

Section 2.8 Representations and Warranties Regarding Mortgage Notes.

Effective with the delivery of the Advance Request, the Borrower represents and warrants to Bank with respect to each Mortgage Note serviced pursuant to the Collateral that:

2.8(a) The Borrower (and, if the Borrower did not originate the loan evidenced by such Mortgage Note, to the best of Borrower's knowledge, the originator of such loan) complied, and the Mortgage Collateral comply, in all material respects with all applicable Requirements of Law, including, without limitation, (i) any usury laws, (ii) the Real Estate Settlement Procedures Act of 1974, as amended, (iii) the Equal Credit Opportunity Act, as amended, (iv) the Federal Truth in Lending Act, as amended, (v) Regulation Z of the Board of Governors of the Federal Reserve System, as amended, and (vi) any consumer protection laws;

2.8(b) the full Face Amount of such Mortgage Note (less any discount points paid by or on behalf of the borrower under such Mortgage Note) was funded to the borrower thereunder and any such discount points paid were normal and customary;

2.8(c) the Mortgage related to such Mortgage Note creates a perfected first-priority Lien (or second-priority Lien in the case of Second

Lien Mortgage Loan, or inferior priority lien in the case of a FNMA Title I Loan) on residential real property consisting of land and a one-to-four family dwelling thereon which is completed and ready for occupancy and such Mortgage, the title policy relevant thereto (only if required by FNMA or the Investor, if not FNMA) and the other Mortgage documents relevant thereto comply in all respects with the requirements of the Investor; and

2.8(d) the Mortgage Loan qualifies under the definition of Mortgage Loan.

Section 2.9 Method of Making Payments.

All payments hereunder shall be received by the Bank on the date when due and shall be made in lawful money of the United States of America in immediately available funds at the office of the Bank, at 8333 Douglas Avenue, Dallas, Texas 75225, to the Settlement Account or at such other place as the Bank from time to time shall designate. Whenever any payment to be made hereunder or under the Note shall be stated to be due on a day which is not a Business Day, the due date thereof shall be extended to the next succeeding Business Day, and, with respect to payments of principal, the interest thereon shall be payable at the applicable rate during such extension. Funds received by the Bank after 12:00 noon (Dallas, Texas time) on a Business Day shall be deemed to have been paid by the Borrower on the next succeeding Business Day.

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Section 2.10 Late Payment Fees. In the event the Borrower fails to make

any payment (whether of principal, interest or any other sum) on the date such payment is due and payable hereunder or under the Note, and such failure continues for more than five (5) days, the Borrower shall pay to the Bank, upon demand therefor, a late payment fee equal to five percent (5%) of the amount of such payment.

Section 2.11 Commitment Fee. As a condition to obtaining the Commitment,

the Borrower agrees to pay to the Bank in advance on the date hereof and on the first day of each calendar quarter (January 1, April 1, July 1, October 1) the Commitment Fee in equal payments of \$3,750.00 each.

Section 2.12 Yield Protection. If at any time after the date hereof, and

from time to time, the Bank reasonably determines that the adoption or modification of any applicable law, rule or regulation regarding taxation, Bank's required levels of reserves, deposits, insurance or capital (including any allocation of capital requirements or conditions), or similar requirements, or any interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation, administration or compliance of Bank with any of such requirements, has or would have the effect of (a) increasing Bank's costs relating to the obligation hereunder, or (b) reducing the yield or rate of return of Bank on the obligation hereunder, to a level below that which Bank could have achieved but for the adoption or modification of any such requirements, the Borrower shall, within thirty (30) days of any request by Bank, either (i) agree in writing to pay to Bank such additional amounts as Bank reasonably determines is necessary to maintain the yield, rate of return and/or level of Bank's costs, which Bank would have achieved but for the above-referenced adoption or modification of applicable law, rule or regulation or (ii) pay in full all sums owed hereunder including all principal, interest, expenses and fees and deliver to the Bank notification that the Bank shall have no further obligation to make Advances hereunder and that the Bank shall have no further obligations to Borrower hereunder. No failure by Bank to immediately demand payment of any additional amounts payable hereunder shall constitute a waiver of Bank's right to demand payment of such amounts at any subsequent time. Such additional amounts shall not be charged retroactively, that is all such additional amounts shall only be charged for that period of time following the thirty (30) day notice period required in this paragraph. Nothing herein contained shall be construed or so operate as to require Borrower to pay any interest, fees, costs or charges greater than is permitted by applicable law.

ARTICLE III
COLLATERAL

Section 3.1 Assignments and Grant of Security Interest. As security for

the payment of the Note and for the performance of all of the Borrower's
monetary and non-monetary obligations (collectively, the "Obligations")

hereunder and under the Warehousing Credit Facility, the Borrower hereby grants
to the Bank a security interest in all rights and interest of the Borrower in
and to the following described property whether now owned or hereafter acquired,
wherever located, howsoever arising or created, and whether now existing or
hereafter arising (collectively, the "Collateral"):

3.1(a) all Accounts and General Intangibles, relating to the
following;

3.1(b) FNMA Servicing Rights.

3.1(c) FHLMC Servicing Rights.

3.1(d) GNMA Servicing Rights.

3.1(e) Agency Servicing Rights.

3.1(f) Agency Servicing Records.

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3.1(g) Borrower's rights under any Subservicing Contracts including
but not limited to Borrower's right to receive payments under any
Subservicing Contracts.

3.1(h) Agency Servicing Accounts.

3.1(i) All Agency Servicing Payments.

3.1(j) Non-Agency Servicing Accounts.

3.1(k) Non-Agency Servicing Agreements.

3.1(l) Non-Agency Servicing Payments.

3.1(m) Non-Agency Servicing Records.

3.1(n) Non-Agency Servicing Rights.

3.1(o) All rights of Borrower in and to the Custodial Accounts.

3.1(p) All Sales Agreements.

3.1(q) All Sales Proceeds.

3.1(r) the Funding Account, the Operating Account and the
Settlement Account.

3.1(s) All guaranties, indemnifications, security documents, and
other agreements, documents and instruments relating to the Agency
Servicing Agreements and the Non-Agency Servicing Agreements by which the
Persons executing the same guarantee or collateralize, among other things,
payment or performance of any, and all of the Agency Servicing Agreements
and the Non-Agency Servicing Agreements described above or protect Borrower
against loss relating to the Agency Servicing Agreements and the Non-Agency
Servicing Agreements described above.

3.1(t) All accounting information, ledger sheets, files, records,
documents, and any other media (including, without limitation, computer
programs, tapes and related electronic data and processing software) in
which or on which any of the information, knowledge, data, or records may
be recorded or stored relating to the Agency Servicing Agreements and the
Non-Agency Servicing Agreements, that evidence Borrower's interest in or
relate to any and all of the Agency Servicing Agreements and the Non-Agency
Servicing Agreements described above (including, without limitation, all
information, data, programs, tapes, disks, and cards necessary to
administer and service any Mortgage Loans with respect to which Borrower

has Agency Servicing Rights and Non-Agency Servicing Rights).

3.1(u) All personal property, contract rights, accounts receivable, accounts and general intangibles (including, without limitation, the right to receive payments and deposits of any kind under or in connection with the Agency Servicing Agreements and the Non-Agency Servicing Agreements and other Collateral) of whatsoever kind relating to the Collateral, including, without limitation, the right to receive all hazard, private mortgage and title insurance proceeds and condemnation awards which may be payable in respect of the premises encumbered by any Collateral.

3.1(v) all of Borrower's property insurance maintained upon and protecting the assets and property described above.

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3.1(w) all files, documents, instruments, surveys, certificates, correspondence, appraisals, computer programs, tapes, disks, cards, accounting records and other records, information and data of Borrower relating to any of the foregoing.

3.1(x) all products and proceeds (including, without limitation, insurance proceeds) of, and additions, improvements and accessions to, and books and records describing or used in connection with, all and any of the property described above.

Upon the request of the Bank, the Borrower shall execute any further document or instrument requested by the Bank to further evidence or effectuate the assignments set forth in this subparagraph.

The security interest created by this Agreement with respect to FNMA Servicing Rights, is subject to and subordinate to all rights, powers and prerogatives of FNMA under and in connection with (i) the terms and conditions of that certain Acknowledgement Agreement with respect to such security interest, by and between FNMA, Homeowners Mortgage & Equity, Inc., a Delaware corporation, d/b/a Home, Inc. (the "Debtor") and Guaranty Federal Bank, F.S.B.

(the "Secured Party"), (ii) the Mortgage Selling and Servicing Contract and all

applicable pool purchase contracts between FNMA and the Debtor, and (iii) the selling guide, servicing guide and other guides as each of such guides is amended from time to time ((ii) and (iii) collectively, the "FNMA Contract"),

which rights, powers and prerogatives include, without limitation, the right of FNMA to terminate the FNMA Contract with or without cause and the right to sell or have transferred, the servicing rights as therein provided.

Bank grants to Borrower a license to receive, retain and spend for its own account all Agency Servicing Payments and Non-Agency Servicing Payments until the occurrence of an Event of Default or an event which is continuing and which with notice and/or the passage of time would become an Event of Default.

Section 3.2 Delivery of Additional Collateral or Mandatory Prepayment.

In the event that the Bank shall determine at any time that the Collateral Value of the Eligible Collateral then pledged hereunder is less than the aggregate amount of the Advances then outstanding hereunder, the Borrower shall immediately (a) deliver to the Bank for pledge hereunder Collateral satisfactory to the Bank in its sole and absolute discretion and/or cash, in aggregate amounts sufficient to cover the difference between the Collateral Value of the Eligible Collateral pledged and the aggregate amount of Advances outstanding hereunder, or (b) repay the Advances in an amount sufficient to reduce the aggregate balance thereof outstanding to or below the Collateral Value of the Eligible Collateral pledged hereunder.

Section 3.3 Redemption Pursuant to Sale. Provided no Event of Default

has occurred and no Default has occurred and is continuing, the Borrower may, in connection with a sale (if approved by Bank) of Collateral, redeem Collateral from pledge, by paying to the Bank, for application to prepayment of the principal balance of the Note, an amount (the "Redemption Amount") equal to (i)

as to Eligible Collateral, the greater of (a) the Collateral Value of the Collateral to be released, or (b) the amount of the Advance made with respect to

such Collateral or (ii) in the case of all other Collateral, all sales proceeds payable to the Borrower. Amounts payable to the Borrower for the purchase of any Collateral shall be paid directly to the Bank into the "Settlement Account"

which account shall be under the sole dominion and control of Bank. In connection with all such sales, the purchaser of Collateral as a condition precedent to such sale shall execute the Purchaser's Acknowledgment in the form attached hereto as Exhibit "J". A security interest granted to the Bank in such

Collateral shall continue in effect until such time as the Bank shall have received the Redemption Amount. Any and all sales contracts shall be approved by Bank in its reasonable discretion.

Section 3.4 Release of Collateral. The Borrower may obtain the release

from Bank of the security interest in and lien on all of the Collateral at any time by paying to the Bank as a repayment hereunder, all amounts owed to the Bank hereunder and provided further that all obligations of Borrower to Bank have been satisfied. Any such release of the security interest in and the lien to all of the Collateral shall be evidenced by the execution and delivery by the Bank of an appropriate document to evidence such a release and a form of UCC financing statement

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release for such collateral being so released and an acknowledgement by Borrower that the Bank has no further obligations (including the advance of funds) under this line of credit.

ARTICLE IV
CONDITIONS PRECEDENT

Section 4.1 Initial Advance. The obligation of the Bank to make the

initial Advance is subject to the satisfaction, in the sole discretion of the Bank, on or before the date thereof of the following conditions precedent:

4.1(a) The Bank shall have received the following, all of which must be satisfactory in form and content to the Bank, in its sole discretion:

(1) The Note duly executed by the Borrower in the form attached as Exhibit "A";

(2) The Guaranty, in the form attached hereto as Exhibit "B", duly executed by the Guarantor;

(3) Certified copies of the Borrower's articles of incorporation and bylaws, an Omnibus Certificate and certificates of existence, good standing and qualification to do business in every jurisdiction in which such qualification is required of Borrower dated no less recently than three (3) months prior to the date of the initial Advance;

(4) A written opinion of counsel to the Borrower and the Guarantor in form and content satisfactory to the Bank, dated as of, or prior to, the date of the initial Advance, addressed to the Bank, substantially in the form attached hereto as Exhibit "H".

(5) An original resolution of the board of directors of the Borrower, certified as of the date of the initial Advance by its corporate secretary, authorizing the execution, delivery and performance of this Agreement and the Note, and all other instruments or documents to be delivered by the Borrower pursuant to this Agreement;

(6) A certificate of the Borrower's corporate secretary as to the incumbency and authenticity of the signatures of the officers of the Borrower executing this Agreement and the Note and each Advance Request and all other instruments or documents to be delivered pursuant hereto (the Bank being entitled to rely thereon until a new such certificate has been furnished to the Bank);

(7) A true, correct and complete copy of the original independently audited financial statements of the Borrower (and its Subsidiaries, on a consolidated basis) for the most recent fiscal year end containing a balance sheet and related statements of income and retained earnings (the "Statement Date") and changes in financial position for the period ----- ended on the Statement Date, all prepared in accordance with GAAP applied on a basis consistent with prior periods and acceptable to the Bank and attached to a "Certificate Accompanying Financial Statements" in the form attached hereto as ----- Exhibit "I"; -----

(8) Financial statements of the Guarantor, executed by Guarantor, dated no less recently than three (3) months prior to the date of the initial Advance and attached to a "Certificate Accompanying Financial Statements" in the form attached hereto as Exhibit "I"; -----

(9) Five (5) original Acknowledgments in the form attached hereto as Exhibit "J" endorsed in blank; -----

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(10) Copies of the Borrower's errors and omissions insurance policy or mortgage impairment insurance policy and blanket bond coverage policy, all in form and content satisfactory to the Bank, showing compliance by the Borrower as of the date of the initial Advance with the related provisions of Section 6.9 hereof; -----

(11) Acknowledgment Agreement executed by Borrower and Bank and within thirty (30) days of the date hereof by FNMA;

(12) FNMA Power of Attorney executed by Borrower;

(13) Acknowledgment Agreement executed by Borrower and Bank and FHLMC within thirty (30) days of Borrower's approval as a seller/servicer by such agency ;

(14) FHLMC Power of Attorney executed by Borrower within thirty (30) days of Borrower's approval as a seller/servicer by such agency;

(15) Acknowledgment Agreement executed by Borrower and Bank and by GNMA within thirty (30) days of Borrower's approval as a seller/servicer by such agency;

(16) GNMA Power of Attorney executed by Borrower within thirty (30) days of Borrower's approval as a seller/servicer by such agency;

(17) UCC-1 Financing Statement and UCC-1 search showing no financing statements filed of record in the State of Texas except for those acceptable to Bank in its sole discretion;

(18) Certified copies of the most recent applicable Agency certifications with seller/servicer numbers and FHA and VA certificates;

(19) Copies of all Servicing Agreements with all Agencies and Investors; and

(20) Copies of the certificates, documents or other written instruments which evidence the Borrower's eligibility described in Section 5.27 ----- hereof, all in form and substance satisfactory to the Bank.

Items 13, 14, 15 and 16 shall not be required for the Initial Advance but shall be required for any Advance after the date of the Borrower's approval as a seller/servicer, as applicable, by FHLMC or GNMA.

Section 4.2 Each Advance. The obligation of the Bank to make the ----- initial and each subsequent Advance is subject to the satisfaction, in the sole

discretion of the Bank, as of the date of each such Advance, of the following additional conditions precedent:

4.2(a) The Borrower shall have delivered to the Bank the Advance Request, and Collateral Documents called for under, and shall have satisfied the procedures set forth in, Section 2.2 hereof and the applicable Exhibits hereto

described in those Sections. All items delivered to the Bank must be satisfactory to the Bank in form and content, and the Bank may reject such of them as do not meet the requirements of this Agreement.

4.2(b) The Bank shall have received evidence satisfactory to it as to the due filing and recording in all appropriate offices of all financing statements and other instruments as may be necessary to perfect the security interest of the Bank in the Collateral under the Uniform Commercial Code of the State of Texas or other applicable law.

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4.2(c) The representations and warranties of the Borrower contained in Article V hereof shall be true and correct in all material respects as if

made on and as of the date of each Advance.

4.2(d) The Borrower and the Guarantor shall have performed all agreements to be performed by them hereunder and under the Guaranty, respectively, and after giving effect to the requested Advance, there shall exist no Default hereunder.

4.2(e) The Borrower shall not have (i) incurred any material liabilities, direct or contingent, other than in the ordinary course of its business, since the dates of the Borrower's most recent financial statements theretofore delivered to the Bank or (ii) experienced any other material adverse change in its business or operations.

4.2(f) The Bank shall have received from counsel for the Borrower and the Guarantor, if requested by the Bank in its sole discretion, an updated opinion, in form and substance satisfactory to the Bank, addressed to the Bank and dated as of the date of such Advance, covering such of the matters set forth in Section 4.1(a)(4) hereto as the Bank may reasonably request.

Acceptance of the proceeds of the requested Advance by the Borrower shall be deemed a representation by the Borrower that all conditions set forth in this Section 4.2 shall have been satisfied as of the date of such Advance.

ARTICLE V REPRESENTATIONS AND WARRANTIES

In order to induce the Bank to enter into this Agreement and make each Advance, the Borrower hereby represents and warrants to the Bank, as of the date of this Agreement and as of the date of each Advance Request, that:

Section 5.1 Organization: Good Standing; Subsidiaries. The Borrower and

each Subsidiary of the Borrower and Guarantor is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation, has the full legal power and authority to own its property and to carry on its business as currently conducted and is duly qualified as a foreign corporation to do business and is in good standing in each jurisdiction in which the transaction of the business in which it is engaged and is or will be qualified in those states where it proposes to transact business in the future. The Borrower has no Subsidiaries except as set forth on Exhibit "G" hereto.

Exhibit "G" sets forth the name of each such Subsidiary, place of incorporation, each state in which qualified as a foreign corporation, and the percentage ownership of the capital stock of each such Subsidiary by the Borrower.

Section 5.2 Authorization and Enforceability. The Borrower has the power and authority to execute, deliver and perform this Agreement, the Note and all other documents contemplated hereby or thereby. The Guarantor has the power

and capacity to execute, deliver and perform the Guaranty. The execution, delivery and performance by the Borrower of this Agreement, the Note and all other documents contemplated hereby or thereby and the making of the borrowing hereunder and thereunder, have been duly and validly authorized by all necessary corporate action on the part of the Borrower (none of which actions have been modified or rescinded, and all of which actions are in full force and effect) and do not and will not conflict with or violate any provision of law or of the articles of incorporation or by-laws of the Borrower, conflict with or result in a breach of or constitute a default or require any consent under, or result in the creation of any Lien upon any property or assets of the Borrower, or result in or require the acceleration of any indebtedness of the Borrower pursuant to any agreement, instrument or indenture to which the Borrower is a party or by which the Borrower or its property may be bound or affected. This Agreement, the Note and all other documents contemplated hereby or thereby and the Guaranty constitute legal, valid, and binding obligations of the Borrower or of the Guarantor, respectively, enforceable in accordance with their respective terms.

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Section 5.3 Priority of Liens. The Bank has a valid, enforceable,

perfected, first priority Lien and security interest in the Collateral heretofore delivered to the Bank by the Borrower and upon delivery to the Bank of each Advance Request, the Bank shall have a valid, enforceable, perfected, first priority Lien and Security Interest in the Collateral identified therein or delivered therewith.

Section 5.4 Approvals. The execution and delivery of this Agreement,

the Note and all other documents contemplated hereby or thereby and the performance of the Borrower's obligations hereunder and thereunder do not require any license, consent, approval or other action of any state or federal agency or governmental or regulatory authority.

Section 5.5 Financial Condition. Borrower has delivered to the Bank

copies of the balance sheets of Borrower and Guarantor dated June 30, 1996 and the related statements of income, stockholders' equity and changes in financial position for the year ended such date; such financial statements fairly present the financial condition of Borrower and Guarantor as of such date and have been prepared in accordance with GAAP, subject to normal year-end adjustments; as of the date thereof, there were no obligations, liabilities or Indebtedness (including material contingent and indirect liabilities and obligations or unusual forward or long-term commitments) of Borrower or Guarantor which are not reflected in such financial statements; no change having a Material Adverse Effect has occurred since the date of such financial statements.

Section 5.6 Full Disclosure. There is no material fact that Borrower or

Guarantor have not disclosed to the Bank which could adversely affect the properties, business, prospects or condition (financial or otherwise) of Borrower or Guarantor or could adversely affect the Collateral. Neither the financial statements nor any certificate or statement delivered herewith or heretofore by Borrower or Guarantor to the Bank in connection with negotiation of this Agreement, contains any untrue statement of material fact.

Section 5.7 Material Agreements. Borrower is not in default (and no

event exists which with notice or the passage of time could become a default) under any loan agreement, mortgage, security agreement or other material agreement or obligation to which it is a party or by which any of its properties is bound including but not limited to the Loan Documents.

Section 5.8 No Litigation. There are no actions, suits or legal,

equitable, arbitration or administrative proceedings pending, or to the knowledge of Borrower threatened, against Borrower, which either individually or in the aggregate would have a Material Adverse Effect.

Section 5.9 Taxes. All tax returns required to be filed by the Borrower

in any jurisdiction have been filed and all taxes, assessments, fees and other governmental charges upon Borrower or upon any of its properties, income or franchises have been paid prior to the time that such taxes could give rise to a

Lien thereon, unless protested in good faith by appropriate proceedings and with respect to which reserves in conformity with GAAP have been established on the books of Borrower. The Borrower has no knowledge of any proposed tax assessment against Borrower.

Section 5.10 Principal Office, etc., Taxpayer Identification Number. The

principal office, chief executive office and principal place of business of Borrower is at 6836 Austin Center Blvd., Suite 280, Austin, Texas 78731. Borrower's mailing address is 6836 Austin Center Blvd., Suite 280, Austin, Texas 78731. Borrower's taxpayer identification number is 74-2674353.

Section 5.11 Employee Benefit Plans.

(a) Neither Borrower nor any Subsidiary of Borrower, nor any of their respective ERISA Affiliates, nor any Plan, is in material violation of any provision of ERISA or any other applicable state or federal law, including the Code.

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(b) No Prohibited Transaction or Reportable Event has occurred with respect to any Plan.

(c) No notice of intent to terminate a Plan has been filed within the 24-month period preceding the date hereof, nor has any Plan been terminated under Section 4041(c) of ERISA.

(d) The PBGC has not instituted proceedings to terminate, or appoint a trustee to administer, any Plan and no event or condition has occurred or exists which might constitute grounds under Section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan.

(e) Neither Borrower nor any Subsidiary of Borrower, nor any of their respective ERISA Affiliates has incurred or expects to incur any withdrawal liability to any multiemployer plan within the meaning of Section 4001(a)(3) of ERISA.

(f) Each Plan meets the minimum funding requirements of Section 412 of the Code and no waiver from such minimum funding requirements has been applied for or approved pursuant to Section 412(d) of the Code.

(g) No fact exists that could result in any material liability other than as disclosed on Borrower's financial statements) to Borrower relating to any former Plan.

(h) No amendment to any Plan has been adopted such that security is required to be given pursuant to Section 401(a)(29) of the Code, and no lien exists under Section 412(n) of the Code with respect to any Plan.

(i) With respect to each Plan, the value of unfunded benefit liabilities (within the meaning of Section 4001(a)(18) of ERISA) does not exceed \$50,000.

(j) Neither the Borrower nor any Subsidiary of Borrower maintains any plan, arrangement, or commitment which provides medical or dental benefits to an employee or the employee's dependents after the employee terminates employment, other than as provided in the continuation coverage provisions of the Code and ERISA.

Section 5.12 Ownership. HomeCapital Investment Corporation owns,

beneficially and of record, 100% of the issued and outstanding shares of each class of the stock of Borrower.

Section 5.13 Subsidiaries. As of the date hereof, Borrower has no

subsidiaries. As of the date hereof, Borrower does not own, directly or indirectly, any interest in any Person.

Section 5.14 Indebtedness. As of the date hereof, Borrower has no

Indebtedness outstanding other than the Note and the Indebtedness listed on

Section 5.15 Permits, Patents, Trademarks, etc.

(a) Borrower has all permits and licenses necessary for the operation of its business, except where the failure to have such permits or licenses does not have a Material Adverse Effect upon the operation of its business.

(b) Borrower owns or possesses (or is licensed or otherwise has the necessary right to use) all patents, trademarks, service marks, trade names and copyrights, technology, know-how and processes, and all rights with respect to the foregoing, which are necessary for the operation of its business, without any known material conflict with the rights of others. The consummation of the transactions contemplated hereby will not alter or impair in any material respect any of such rights of Borrower.

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Section 5.16 Status Under Certain Federal Statutes. Borrower is not (a)

a "holding company" or a "subsidiary company" of a "holding company" or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company", as such terms are defined in the Public Utility Holding Company Act of 1935, as amended, (b) a "public utility", as such term is defined in the Federal Power Act, as amended, (c) an "investment company", or a company "controlled" by an "investment company", within the meaning of the Investment Company Act of 1949, as amended, or (d) a "rail carrier", or a "person controlled by or affiliated with a rail carrier", within the meaning of Title 49, U.S.C., and Borrower is not a "carrier" to which 49 U.S.C. (S) 11301(b)(1) is applicable.

Section 5.17 Securities Acts and Securities Credit Transaction

Regulations. The Borrower has not issued any unregistered securities in violation of the Securities Act of 1933, as amended, or of any other Requirement of Law, and is not violating any rule, regulation, or requirement under the Securities Act of 1933, as amended, or the Securities and Exchange Act of 1934, as amended. The Borrower is not required to qualify an indenture under the Trust Indenture Act of 1939, as amended, in connection with its execution and delivery of the Note. The Borrower is not a party, whether as a customer or a creditor, to any transaction that is subject to the Securities Credit Transaction Regulations.

Section 5.18 No Approvals Required. Other than consents and approvals

previously obtained and actions previously taken, neither the execution and delivery of this Agreement, the Note and the Loan Documents, nor the consummation of any of the transactions contemplated hereby or thereby requires the consent or approval of, the giving of notice to, or the registration, recording or filing by Borrower of any document with, or the taking of any other action in respect of, any Person.

Section 5.19 No Insider. Neither the Borrower nor any Person having

"control" (as defined in 12 U.S.C. (S) 375(b)(9) and the regulations promulgated pursuant thereto) of the Borrower is, an "executive officer," "director," or "principal shareholder" (as such terms are defined in 12 U.S.C. (S) 375(b)(9) and the regulations promulgated pursuant thereto) of any Bank, of any bank holding company of which any Bank is a Subsidiary, or of any Subsidiary of any bank holding company of which any Bank is a Subsidiary.

Section 5.20 Governmental Requirements. Borrower is in compliance with

all Requirements of Law, the non-compliance of which would have a Material Adverse Effect.

Section 5.21 Solvency. Borrower is not "insolvent" on the date hereof

(that is, the sum of Borrower's absolute and contingent liabilities, including Borrower's obligations to the Bank, does not exceed the fair market value of Borrower's assets). Borrower's capital is adequate for the businesses in which

Borrower is engaged and intends to be engaged. Borrower has not hereby incurred, nor does Borrower intend to incur or believe that it will incur, debts which will be beyond its ability to pay as such debts mature.

Section 5.22 Assumed Names. Since the date which is five (5) years prior

to the date hereof, the Borrower has not engaged in any business under any name, assumed name or trade name other than HomeOwners Mortgage & Equity, Inc., a Delaware corporation d/b/a Home, Inc.

Section 5.23 Compliance with Laws. Neither the Company nor any

Subsidiary of the Borrower is in violation of any Requirement of Law, or of any judgment, award, rule, regulation, order, decree, writ or injunction of any court or public regulatory body or authority which might have a material adverse effect on the business, operations, assets or financial condition of the Borrower as a whole.

Section 5.24 Use of Proceeds; Margin Stock. The proceeds of the Advances

shall be used by Borrower solely for the funding of Borrower's general working capital purposes. In no event shall the funds from any Advance be used directly or indirectly by any Person for personal, family, household or agricultural purposes or for the purpose of purchasing or carrying any "margin stock" as defined in Regulation U, or for the purpose of reducing or retiring any Indebtedness which was originally incurred to purchase or carry margin stock or for any other purpose which might constitute this transaction a "purpose credit" within the meaning of such Regulation U

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or of Regulation G of the Board of Governors of the Federal Reserve System (12 C.F.R. 207, as amended) or otherwise take or permit to be taken any action which would involve a violation of such Regulation G or Regulation U or Regulation T (12 C.F.R. 220, as amended) or Regulation Z (12 C.F.R. 224, as amended) or any other regulation of such board. Neither Borrower nor any Person acting on behalf of Borrower shall take any action in violation of Regulation U or Regulation X or shall violate Section 7 of the Securities Exchange Act of 1933 or any rule or regulation thereunder, in each case as now in effect or as the same may hereinafter be in effect or engage in any transaction which is subject to the Securities Credit Transaction Regulations.

Section 5.25 Investment Company Act. The Borrower is not an "investment

company," or a company controlled by an "investment company," within the meaning of the Investment Company Act of 1940, as amended.

Section 5.26 Title to Properties. The Borrower and each Subsidiary of the

Borrower has good, valid, insurable (in the case of real property) and marketable title to all of its properties and assets (whether real or personal, tangible or intangible) reflected on the financial statements described in

Section 5.4 hereof, and all such properties and assets are free and clear of all

Liens except as disclosed in such financial statements.

Section 5.27 Eligibility. The Borrower has all state and local permits,

licenses, approvals, registrations and qualifications which it is required to have in order to make, purchase, sell or service the Mortgage Loans. The Borrower, if approved, is qualified and in good standing as a lender or seller/servicer, as set forth below, and meets all requirements applicable to its status as such:

5.27(a) HUD approved lender, eligible to originate, purchase, hold, sell and service FHA-insured Mortgage Loans (and to participate in HUD's Direct Endorsement Mortgage Insurance Program).

5.27(b) FNMA approved seller/servicer of FNMA Title I Mortgage Loans, eligible to originate, purchase, hold, sell, and service Mortgage Loans to be sold to FNMA.

5.27(c) Borrower in good standing under the VA loan guarantee

program eligible to originate (on an "automatic" basis), purchase, hold, sell

and service VA-guaranteed Mortgage Loans.

Section 5.28 Special Representations Concerning Collateral. The Borrower

hereby represents and warrants to the Bank, as of the date of this Agreement and as of the date of each Advance Request, that:

5.28(a) The Borrower owns the Collateral free and clear of any lien, security interest, charge or encumbrance except for the security interest created by this Agreement and the qualifications stated in the final paragraph of Section 3.1. No effective financing statement or other instrument similar in

effect covering all or any part of the Collateral is on file in any recording office, except such as may have been filed in favor of Bank relating to this Agreement. The Borrower has no trade name other than Home, Inc. Borrower shall not execute and there shall not be on file in any public office any such financing statement or statements and Borrower further agrees that it will not grant, permit or suffer to exist any security interest, lien or encumbrance upon any of the Collateral.

5.28(b) Subject to the qualifications stated in the second to last paragraph of Section 3.1, Borrower covenants and warrants that Borrower is the 100% owner of said Collateral free and clear of claims or encumbrances by others and that Borrower has good right, title and authority to pledge, sell, transfer and assign the same.

5.28(c) Subject to the qualifications stated in the second to last paragraph of Section 3.1, this Agreement, together with a duly filed financing statement, creates a valid and perfected first priority security interest in the Collateral, securing the payment of the Obligations, and all filings and other actions necessary or desirable to perfect and protect such security interest have been duly taken or shall be taken at the time of the initial Advance hereunder.

5.28(d) Subject to the qualifications stated in the final paragraph of Section 4.1, no authorization, approval or other action by, and no notice to

or filing with, any governmental authority or regulatory body is

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required (and has not been obtained, delivered or filed, as applicable) either (i) for the grant by the Borrower of the security interest granted hereby or for the execution, delivery or performance of this Agreement by the Borrower or (ii) for the perfection of or the exercise by Secured Party of its rights and remedies hereunder, other than the filing of a financing statement which has been duly executed by the Borrower and delivered to Bank for filing .

5.28(e) The principal place of business and chief executive office of the Borrower for purposes of Section 9-103 of the Uniform Commercial Code is

located at the address set forth herein.

5.28(f) The Borrower, all prior servicers and, if different, the originating mortgagee, have performed all obligations required of them to be performed under or pursuant to each of the Servicing Contracts and related requirements of the applicable Investor and Insurer and each other document or agreement relating to the Mortgage Loans by which the Borrower is bound, and no event has occurred and is continuing which, under the provisions of any such Servicing Contracts and related requirements of the applicable Investor or other document or agreement, but for the passage of time or the giving of notice, or both, would constitute an event of default thereunder.

5.28(g) The books, records, accounts and reports of the Borrower with respect to the Agency Servicing Agreements and Non-Agency Servicing Agreements have been prepared and maintained in accordance with all applicable Investor and Insurer requirements.

5.28(h) Except for the execution by FNMA of the FNMA Acknowledgment (with respect to FNMA Servicing Rights) and execution by FHLMC of the FHLMC Acknowledgment (with respect to the FHLMC Servicing Rights) and execution by GNMA of the GNMA Acknowledgment (with respect to the GNMA Servicing Rights) no

action, consent or approval by any Governmental Authority or other Person is, or will be, necessary for Borrower to grant a security interest in any item of Collateral.

5.28(i) Upon the execution by FNMA of the FNMA Acknowledgment, the security interest of the Agent for the benefit of the Banks in the FNMA Servicing Rights will be a perfected, first-priority security interest.

5.28(j) Upon the execution by FHLMC of the FHLMC Acknowledgment, the security interest of the Agent for the benefit of the Banks in the FHLMC Servicing Rights will be a perfected, first-priority security interest.

5.28(k) Upon the execution by GNMA of the GNMA Acknowledgment, the security interest of the Agent for the benefit of the Banks in the GNMA Servicing Rights will be a perfected, first-priority security interest.

5.28(l) All Agency Servicing Agreements, Non-Agency Servicing Agreements and Subservicing Contracts are valid and binding agreements between Borrower and/or the other parties thereto, are full and complete statements of the terms and provisions of the transactions contemplated thereby, are unmodified and in full force and effect and are, except as disclosed in writing to Bank, assignable by their terms to Bank. Borrower's rights under each of the Agency Servicing Agreements and Non-Agency Servicing Agreements are not subject to any offset, counterclaim or defense as to enforceability. Notwithstanding the foregoing, the representations contained in this subparagraph are subject to the restrictions against assignment without consent, if any, contained in the rules governing servicing of Mortgage Loans for the benefit of GNMA, FNMA and FHLMC, as such restrictions may have been modified by such parties in accordance with agreements executed by such parties in connection with the Loan Agreement.

5.28(m) Any Sales Agreements presented to Bank shall constitute legally binding and enforceable obligations of Borrower and the other parties thereto, are full and complete statements of the terms and provisions contemplated thereby, are unmodified and in full force and effect and are assignable by their terms to Bank.

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ARTICLE VI
AFFIRMATIVE COVENANTS

The Borrower agrees that so long as the Commitment is outstanding or there remain any obligations of the Borrower to be paid or performed under this Agreement or under the Note, the Borrower shall:

Section 6.1 Payment of Note. Pay or cause to be paid the principal and

interest on and all other amounts due and payable hereunder and under the Note in accordance with the terms hereof and thereof on the respective date that such sums are due and payable.

Section 6.2 Financial Statements and Other Reports. Deliver to the

Bank, attached to a Certificate Accompanying Financial Statements attached hereto as Exhibit "I":

6.2(a) As soon as available and in any event within one hundred twenty (120) days after the close of each fiscal year of Borrower, copies of the consolidated and consolidating balance sheet of Borrower as of the close of such fiscal year and consolidated statements of income and retained earnings, cash flow statements and changes in stockholders' equity for such fiscal year, each setting forth in comparative form the corresponding figures for the preceding fiscal year, all in reasonable detail together with all notes thereto and accompanied by an opinion thereon (which shall not be qualified by reason of any limitation imposed by Borrower) by Coopers & Lybrand LLP or by independent certified public accountants selected by Borrower and satisfactory to Bank, to the effect that such financial statements have been prepared in accordance with GAAP and such other professional practices as may then conform to the usual and customary professional standards, practices and disclosures then in existence in connection with the preparation and publication of financial statements by independent certified public accountants and that the examination of such accounts in connection with such financial statements

has been made in accordance with GAAP and, accordingly, includes such tests of the accounting records and such other auditing procedures as were considered necessary in the circumstances;

6.2(b) As soon as available, and in any event within thirty (30) days after the end of each month of each fiscal year of Borrower, copies of the consolidated and consolidating balance sheet of Borrower as of the end of such month and consolidated and consolidating statements of income and retained earnings and cash flow statement and of changes in stockholders' equity for such month, each setting forth in comparative form the corresponding figures for the preceding fiscal year of Borrower for such month and for the portion of the fiscal year ending with such month, all in reasonable detail, and certified by the chief financial officer of Borrower as being true and correct and as having been prepared in accordance with GAAP;

6.2(c) Promptly upon receipt thereof, a copy of each other report submitted to Borrower by independent accountants in connection with any annual, interim or special audit of the books of Borrower;

6.2(d) As soon as available and in any event within thirty (30) days after the end of each month in form and detail acceptable to Bank, prepared as of the end of such month, a report setting forth a servicing delinquency report indicating, by investor, the amount of Mortgage Loans serviced by Borrower which are delinquent or in foreclosure with a breakdown (30, 60, 90, 120 days) for all past-due loans including total principal balance, number of loans, which loans Borrower is required to repurchase by an Agency or Investor, foreclosure experience, investor type, geographic mix, weighted average coupon, weighted average maturity and cost of servicing.

6.2(e) As soon as available and in any event within thirty (30) days after delivery of such reports to any Agency, HUD, FHA or VA, Borrower shall provide to Bank all audits, evidence, auditors

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certifications and other financial information supplied to such governmental or quasi-governmental agencies, including but not limited to, any audits or self-compliance reviews prepared in connection with Borrower's continuing agency certifications;

6.2(f) Promptly and in any event within twenty (20) days after the request of Bank at any time and from time to time, a certificate, executed by the president or chief financial officer of Borrower, setting forth all of Borrower's borrowings other than under this Loan;

6.2(g) As soon as available and in any event within thirty (30) days of filing and no later than two hundred twenty-five (225) days from the end of each fiscal year of Borrower, copies of all tax returns filed by Borrower;

6.2(h) Within thirty (30) days after the end of each month, a Compliance Certificate executed by the President or Chief Executive Officer of Borrower;

6.2(i) As soon as available and in any event within fifteen (15) days of their respective Securities and Exchange Commission filing due dates, Form 10-KSB, Form 10-QSB, the 10(K) and 10(Q) reports for HomeCapital Investment Corporation, the parent corporation of Borrower;

6.2(j) Promptly and in any event within five (5) days of such event, notification of the departure of any of the following officers: President or Executive Vice President; and

6.2(k) From time to time, with reasonable promptness, such further information regarding the business, operations, properties or financial condition of the Borrower as the Bank may reasonably request.

All financial statements and reports furnished to the Bank hereunder shall be prepared in accordance with GAAP, applied on a basis consistent with that applied in preparing the financial statements as at, and for the period ended, the Statement Date (except to the extent otherwise required to conform to good accounting practice).

Section 6.3 Maintenance of Existence; Conduct of Business. Preserve and

maintain its corporate existence in good standing and all of its rights, privileges, licenses, qualifications and franchises necessary or desirable in the normal conduct of its business, including, without limitation, its eligibility as an approved lender and issuer as described under Section 5.27

hereof; conduct its business in an orderly and efficient manner; maintain a net worth of acceptable assets as required by its Investors at any and all times for maintaining the Borrower's status as a FHA approved lender; and make no change in the nature or character of its business or engage in any business in which it was not engaged on the date of this Agreement.

Section 6.4 Compliance with Requirements of Law. Comply with the

Requirements of Law, rules, regulations and orders of any governmental authority and prudent industry standards.

Section 6.5 Inspection of Properties and Books. Permit authorized

representatives of the Bank, its parent company or affiliates to discuss the business, operations, assets and financial condition of the Borrower and its Subsidiaries with their officers and employees and to examine their books of account and make copies or extracts thereof, all at such reasonable times as the Bank may request. The Borrower will provide its accountants with a copy of this Agreement promptly after the execution hereof and will instruct its accountants to answer candidly and fully any and all questions that the officers of the Bank or any authorized representatives of the Bank may address to them in reference to the financial condition or affairs of the Borrower and its Subsidiaries. The Borrower may have its representatives in attendance at any meetings between the officers or other representatives of the Bank and the Borrower accountants held in accordance with this authorization.

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Section 6.6 Notice. Give prompt written notice to the Bank of (a) on

the first day of each month, a litigation report detailing any action, suit or proceeding instituted by or against the Borrower or any of its Subsidiaries in any federal or state court or before any commission or other regulatory body (federal, state or local, domestic or foreign), or any such proceedings threatened against the Borrower or any of its Subsidiaries in a writing containing the details thereof, (b) the filing, recording or assessment of any federal, state or local tax lien against it, or any of its assets or any of its Subsidiaries, (c) the occurrence of (i) any Event of Default hereunder or (ii) the occurrence of any Default and continuation thereof for five (5) days, (d) the actual or threatened suspension, revocation or termination of the Borrower's eligibility, in any respect, as an approved lender, and issuer as described under Section 5.27 hereof, (e) the suspension, revocation or termination of any

existing credit or investor relationship made to the Borrower to facilitate the sale and/or origination of residential mortgages, (f) the transfer or loss of any Servicing Contract to which the Borrower is a party, or which is held for the benefit of the Borrower, and the reason for such transfer or loss, if known to the Borrower, (g) any demand by any Investor or Insurer for either the repurchase of a mortgage loan or indemnification and (h) any other action, event or condition of any nature which may lead to or result in a material adverse effect upon the business, operations, assets, or financial condition of the Borrower and its Subsidiaries or which, with or without notice or lapse of time or both, would constitute a default under any other agreement, instrument or indenture to which the Borrower is a party or to which the Borrower, its properties or assets may be subject.

Section 6.7 Payment of Debt, Taxes, etc. Pay and perform all

obligations of the Borrower, and cause to be paid and performed all obligations of its Subsidiaries, promptly and in accordance with the terms thereof and pay and discharge or cause to be paid and discharged promptly all taxes, assessments and governmental charges or levies imposed upon the Borrower or its Subsidiaries or upon their respective income, receipts or properties before the same shall become past due, as well as all lawful claims for labor, materials and supplies or otherwise which, if unpaid, might become a Lien or charge upon such properties or any part thereof, provided, however, that the Borrower and its

Subsidiaries shall not be required to pay taxes, assessments or governmental charges or levies or claims for labor, materials or supplies for which the Borrower or its Subsidiaries shall have obtained an adequate bond or adequate insurance or which are being contested in good faith and by proper proceedings which are being reasonably and diligently pursued.

Section 6.8 Reimbursement of Expenses. Borrower shall pay (i) all

reasonable legal fees incurred by the Bank in connection with the preparation, negotiation or execution of this Agreement, the Note and the Loan Documents and any amendments, modifications, renewals, extensions, consents or waivers executed in connection therewith, (ii) all fees, charges or taxes for the recording or filing of the Loan Documents, (iii) all out-of-pocket expenses of the Bank incurred in connection with the administration of this Agreement, the Note and the Loan Documents, including courier expenses incurred in connection with the Collateral, and (iv) all reasonable amounts expended, advanced or incurred by the Bank to satisfy any obligation of Borrower under this Agreement or any Loan Document or to collect the Note, or to enforce the rights of the Bank under this Agreement or any Loan Document, which amounts shall include all court costs, attorneys' fees and expenses (including, without limitation, legal fees and expenses for trial, appeal or other proceedings), fees of auditors and accountants, and investigation expenses reasonably incurred by the Bank in connection with any such matters, together with interest at the post-maturity rate specified in the Note on each such amount from ten (10) days after the date of written demand or request for reimbursement until the date of reimbursement.

Section 6.9 Insurance. Will maintain (a) errors and omissions insurance

or mortgage impairment insurance and blanket bond coverage, with such companies and in such amounts as satisfy the requirements under the applicable Servicing Agreements applicable to a qualified mortgage originating institution, and (b) liability insurance and fire and other hazard insurance on its properties, with responsible insurance companies approved by the Bank, in such amounts and against such risks as is customarily carried by similar businesses operating in the same vicinity; and (c) within thirty (30) days after notice from the Bank, will obtain such additional insurance as the Bank shall reasonably require, all at the sole expense of the Borrower. Copies of all such policies shall be furnished to the Bank without charge upon request of the Bank.

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Section 6.10 Insured Closings. The Borrower will obtain and maintain

in effect at all times an insured closing letter from each title insurance company from which mortgage title insurance is procured, indemnifying and holding the Borrower harmless from and against the failure of the agents and approved title attorneys of such title insurance companies to comply with the written closing instructions of the Borrower as to the Mortgage Loans relating to the Servicing Contracts serving as Collateral hereunder serviced under the Servicing Contracts and will provide the Bank with evidence of the same from time to time upon request. The Borrower agrees to indemnify and hold the Bank harmless from and against any loss, including reasonable attorneys' fees and costs, attributable to the failure of such title insurance company, agent or approved attorney to comply with the disbursement or instruction letter or letters of the Borrower or of the Bank relating to such Mortgage Loan.

Section 6.11 Other Loan Obligations. Will perform all obligations under

the terms of each loan agreement, note, mortgage, security agreement or debt instrument by which the Borrower is bound or to which any of its property is subject, and will promptly notify the Bank in writing of the cancellation or reduction of any of its other mortgage warehousing lines of credit or agreements with any other lender.

Section 6.12 Use of Proceeds of Advances. Will use the proceeds of each

Advance solely for the purpose of financing the working capital requirements of the Borrower.

Section 6.13 ERISA and Plans. Borrower shall promptly furnish to the

Bank:

6.13(a) Within ten (10) Business Days after the occurrence of a

Reportable Event with respect to any Plan, a copy of any materials required to be filed with the PBGC with respect to such Reportable Event;

6.13(b) A copy of any notice of intent to terminate a Plan, no later than the date such notice is required to be provided to participants of such Plan under Section 4041(a)(2) of ERISA, and copies of any notices of noncompliance received from the PBGC under Section 4041(b)(2)(C) of ERISA, within ten (10) Business Days after the receipt by Borrower or its Subsidiary of such notice;

6.13(c) Not later than ten (10) Business Days after the receipt thereof by Borrower, any Subsidiary of Borrower, any ERISA Affiliate of Borrower or such Subsidiary, or the administrator of any Plan, a copy of any notice to Borrower or such Subsidiary that the PBGC has instituted proceedings to terminate such Plan or to appoint a trustee to administer such Plan;

6.13(d) A statement from the chief financial officer of Borrower describing any event or condition which might constitute grounds under Section 4042 of ERISA for the termination of any Plan or for the appointment of a trustee to administer any Plan, within ten (10) Business Days after Borrower knows or has reason to know such event or condition exists; and

6.13(e) Within ten (10) Business Days after receipt thereof by Borrower or any ERISA Affiliate of Borrower, a copy of any notice concerning the imposition of any withdrawal liability under Section 4202 of ERISA.

Section 6.14 Special Affirmative Covenants Concerning Collateral.

6.14(a) The Borrower warrants and will defend the right, title and interest of the Bank in and to the Collateral against the claims and demands of all persons whomsoever.

6.14(b) The Borrower shall service or cause to be serviced all Mortgage Loans in accordance with the standard requirements of all applicable governmental requirements, including without limitation taking all actions necessary to enforce the obligations of the obligors under such Mortgage Loans. The Borrower shall hold all

escrow funds collected in respect of Mortgage Loans in trust, without commingling the same with non-custodial funds, and apply the same for the purposes for which such funds were collected.

6.14(c) The Borrower shall execute and deliver to the Bank such Uniform Commercial Code financing statements with respect to the Collateral as the Bank may request. The Borrower shall also execute and deliver to the Bank such further instruments of sale, pledge or assignment or transfer, and such powers of attorney, as required by the Bank, and shall do and perform all matters and things necessary or desirable to be done or observed, for the purpose of effectively creating, maintaining and preserving the security and benefits intended to be afforded the Bank under this Agreement. The Bank shall have all the rights and remedies of a secured party under the Uniform Commercial Code of the State of Texas, or any other applicable law, in addition to all rights provided for herein.

6.14(d) In the event, for any reason, that the law of any jurisdiction other than the State of Texas becomes or is applicable to the Collateral, or any part thereof, or to any of the Obligations, Borrower agrees to execute and deliver all such instruments and to do all such other things as may be necessary or appropriate to preserve, protect and enforce the security interest or lien of Bank, under the law of such other jurisdiction, to at least the same extent as such security interest would be protected under the UCC.

6.14(e) The Borrower shall maintain, at its principal office or in a regional office approved by the Bank, or in the office of the Subservicer or a computer service bureau engaged by the Borrower and approved by the Bank, and, upon request, shall make available to the Bank the originals, or copies, all files, surveys, certificates, correspondence, appraisals, computer programs, tapes, discs, cards, accounting records and other information and data relating

to the Collateral.

6.14(f) Subject to the qualifications stated in the second to the last paragraph of Section 3.1, unless otherwise approved in writing by the Bank, Borrower shall keep the Collateral free from any lien, attachment, security interest, sequestration, encumbrance, or any other legal or equitable process, or any encumbrance of any kind or character except as may be granted to the Bank.

6.14(g) Borrower shall promptly notify Bank of any change in any fact or circumstance warranted or represented by Borrower in this Agreement or in any other writing furnished by Borrower to Bank in connection with the Collateral or the Obligations, and promptly notify Bank of any claim, action or proceeding affecting title to the Collateral, or any part thereof, or the security interests herein granted, and, at the request of Bank appear in and defend, at Borrower's expense, any such action or proceeding.

6.14(h) Subject to the final paragraph of Section 3.1, unless and until notified to the contrary by the Bank, Borrower shall promptly, at its expense deliver to the Bank, with appropriate endorsement or assignment, all Instruments, Chattel Paper, monies, checks, notes, drafts and other evidence of indebtedness, or other property in the nature of items of payment representing proceeds of any of the Collateral which are then in, or may thereafter come into, Borrower's possession.

6.14(i) Borrower shall perform, at its sole cost and expense, any and all steps, and shall pay the amount of all reasonable expenses necessary to obtain, preserve, perfect, defend and enforce the security interest in any of the Collateral, and preserve, defend, enforce and collect the Collateral.

6.14(j) Subject to the final paragraph of Section 3.1, should the Collateral, or any part thereof, ever be in any manner converted into another type of property or any money or other proceeds ever be paid or delivered to Borrower as a result of Borrower's rights in the Collateral, then, in any such event, all such property, money or other proceeds shall become part of the Collateral, and Borrower covenants to immediately pay and deliver to Bank all of the same which are susceptible of delivery, and, at the same time Borrower will properly endorse or assign the same.

6.14(k) Borrower shall deliver to Bank the following: (i) a true and correct copy of each Agency Servicing Agreement (exclusive of any Agency servicing guide) and Non-Agency Servicing Agreement; (ii) a

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consent to and/or acknowledgment of the security interest of Bank in each such Agency Servicing Agreement and Non-Agency Servicing Agreement and the rights of Bank under this Agreement, executed by each Agency; (iii) a listing of all Mortgage Loans subject to the Agency Servicing Agreements and the location of Borrower's files and records with respect thereto; and (iv) such other files, documents, instruments, certificates, correspondence or records that Bank, in its reasonable discretion, may deem necessary, appropriate or desirable in accordance with this Agreement.

6.14(l) On the date hereof, on the date of each Advance and the first day of each calendar quarter (January 1, April 1, July 1, October 1) Borrower shall deliver to Bank, at Borrower's sole expense, an Appraisal, from a third party appraiser acceptable to Bank in its sole discretion stating the current fair market value of the Collateral Value of all Eligible Collateral. Additionally, Bank may at any time require, upon demand, that Borrower furnish Bank with a Compliance Certificate. A Compliance Certificate shall accompany all Appraisals.

ARTICLE VII
NEGATIVE COVENANTS

The Borrower agrees that so long as the Commitment is outstanding or there remain any obligation of the Borrower to be paid or performed hereunder or under the Note, the Borrower shall not, either directly or indirectly, without the prior written consent of the Bank:

Section 7.1 Limitation on Indebtedness. Borrower shall not, without the

prior written consent of the Bank, incur, create, contract, assume, have outstanding, guarantee or otherwise be or become, directly or indirectly, liable in respect of any Indebtedness, except (i) the Obligations, (ii) current liabilities for taxes and assessments, (iii) Existing Indebtedness listed on Exhibit "G" attached hereto and incorporated herein by this reference, (iv)

current amounts payable or accrued (other than for borrowed funds or purchase money obligations) which have been incurred in the ordinary course of business and (v) Indebtedness incurred in the ordinary course of business not to exceed on an annual basis \$200,000.00 at any time other than any Indebtedness incurred pursuant to clauses (i), (ii), (iii) and (iv); provided that all such

liabilities, accounts and claims permitted under clauses (ii) through (v) shall

be promptly paid and discharged when due or in conformity with customary trade terms, unless the same shall be contested in good faith by Borrower.

Section 7.2 No Merger. Borrower shall not merge or consolidate with or

into any corporation, or acquire by purchase or otherwise all or substantially all of the assets or capital stock of any Person unless approved fifteen (15) days in advance by the Bank in writing.

Section 7.3 Fiscal Year, Method of Accounting. Borrower shall not change

its fiscal year or method of accounting.

Section 7.4 Lines of Business. Borrower shall not directly or

indirectly engage in any business other than that currently engaged in by Borrower and any business incidental thereto.

Section 7.5 Liquidations, Consolidations and Dispositions of Substantial

Assets. Borrower shall not dissolve or liquidate or sell, transfer, pledge,

lease or otherwise dispose of any portion of its property or assets or business (other than Mortgage Loans sold in compliance with the provisions of the Loan Documents in the ordinary course of business); provided, however, that nothing herein shall be construed to prohibit Borrower from selling Mortgage Notes to Investors in the ordinary course of its business subject to the terms of this Agreement.

Section 7.6 Loans, Advances, and Investments. Borrower shall not make

any loan (other than loans made in the ordinary course of its business as a mortgage company), advance, or capital contribution to, or investment in, or purchase or otherwise acquire any of the capital stock, securities, or evidences of indebtedness of, any Person

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(collectively, "Investment"), or otherwise acquire any interest in, or control

of, another Person, except for the following:

(a) Cash Equivalents;

(b) Any acquisition of securities or evidences of indebtedness of others when acquired by Borrower in settlement of accounts receivable or other debts arising in the ordinary course of business, so long as the aggregate amount of any such securities or evidences of indebtedness is not material to the business or condition (financial or otherwise) of Borrower;

(c) Mortgage Backed Securities acquired in the ordinary course of Borrower's business; and

(d) Owned real estate and Mortgage Loans, required to be repurchased by Investors, not to exceed at any one time \$75,000.00 on an annual basis.

Section 7.7 Operational Changes. Borrower shall not (a) change the

location of any Collateral for the Loan, (b) change its taxpayer identification number, (c) change its address for its chief executive office or its mailing

address or change its name, identity or corporate structure in any manner which might make any financing or continuation statement filed in connection with this Security Agreement seriously misleading within the meaning of Section 9.402 of the UCC (or any other then applicable provision of the UCC) unless Borrower shall have given the Bank at least sixty (60) days' prior written notice thereof and shall have taken all action (or made arrangements to take such action substantially simultaneously with such change if it is impossible to take such action in advance) necessary or reasonably requested by the Bank to amend such financing statement or continuation statement so that it is not seriously misleading, or (d) change its principal place of business or remove the records concerning the Collateral unless it has given the Bank at least thirty (30) days' prior written notice of its intent to do so and has taken such action as is necessary or advisable in the opinion of the Bank to cause the security interest of the Bank in the Collateral to continue to be a first priority perfected security interest.

Section 7.8 Compliance with ERISA. Borrower shall not, and shall not

permit any ERISA Affiliate to:

(a) (i) engage in any transaction in connection with which Borrower or any ERISA Affiliate could be subject to either a civil penalty assessed pursuant to Section 502(i) of ERISA or a tax imposed by Section 4975 of the Code, (ii) fail to make full payment when due of all amounts which, under the provisions of any Plan, applicable law or applicable collective bargaining agreement, Borrower or any ERISA Affiliate is required to pay as contributions thereto, or (iii) permit to exist any accumulated funding deficiency, whether or not waived, with respect to any Plan if, in the case of any of subdivision (i), (ii) or (iii) above, such penalty or tax, or the failure to make such payment, or the existence of such deficiency, as the case may be, will likely have a Material Adverse Effect on the financial position of Borrower;

(b) permit the amount of unfunded benefit liabilities (within the meaning of Section 4001 (a) (18) of ERISA) under each Plan maintained at such time by Borrower or any of its Related Persons (other than Multiemployer Plans or "multiple employer Plans") to exceed \$50,000; or

(c) permit the aggregate complete or partial withdrawal liability under Title IV of ERISA with respect to all Plans which are "multiple employer Plans" and all Multiemployer Plans incurred by Borrower or any Related Person to exceed \$50,000.

Section 7.9 Net Worth. Borrower's Net Worth shall not be less than

the sum of (a) \$3,000,000.00, (b) 80% of Borrower's Net Income for all preceding calendar quarters beginning in the calendar quarter beginning on

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June 30, 1996, plus (c) 100% of all contributions to stockholders' equity of Borrower after the date hereof, less all fees and costs directly incurred in connection with such contribution.

Section 7.10 Tangible Net Worth. Borrower's Tangible Net Worth will

never be less than the minimum required by the respective purchasers of the Mortgages, including HUD, FNMA, GNMA and FHLMC requirements in existence at any time.

Section 7.11 Adjusted Tangible Net Worth. Borrower's Adjusted Tangible

Net Worth shall not be less than the sum of (a) \$3,000,000.00, (b) 80% of Borrower's Net Income for all preceding calendar quarters beginning in the calendar quarter beginning on June 30, 1996, plus (c) 100% of all contributions to stockholders' equity of Borrower after the date hereof, less all fees and costs directly incurred in connection with such contribution.

Section 7.12 Total Liabilities to Adjusted Tangible Net Worth Ratio. The

ratio of Borrower's Total Liabilities to Borrower's Adjusted Tangible Net Worth shall not at any time be more than 3.5 to 1.0.

Section 7.13 Minimum Liquidity. Borrower shall at all times maintain a

Liquidity of no less than \$500,000.00.

Section 7.14 Management. The President of Borrower shall not be changed

without the prior written consent of the Bank.

Section 7.15 Interested Transactions. Except with respect to any

transaction not exceeding \$50,000.00 in value, Borrower shall not engage in any transaction with any of its Affiliates (a) except on an arm's-length basis and on terms no less favorable to Borrower than those obtainable from persons who have no such relationship to Borrower and (b) provided that Borrower shall have given the Bank prior written notice of such transaction with any director, officer or managerial personnel.

Section 7.16 Transfer of Stock. Individually and on a cumulative no more

than 35% of the stock in Borrower shall be sold, transferred or conveyed to or by any party without the prior written consent of the Bank.

Section 7.17 Subsidiaries. Borrower shall not create any Subsidiaries

without the prior written consent of the Bank.

Section 7.18 Sale or Pledge of Servicing Contracts. Sell, contract to

sell, pledge or grant a security interest in any existing or future Servicing Contracts of the Borrower pursuant to the terms of this Agreement, or omit to take any action required to keep all such Servicing Contracts in full force and effect.

Section 7.19 Loss of Eligibility. Take, or fail to take, any action that

would cause the Borrower to lose all or any part of its status as an eligible lender, as described under Section 5.27 hereof.

Section 7.20 Special Negative Covenants Concerning Collateral.

7.20(a) Except as otherwise provided in the Servicing Agreement in connection with the performance of the Borrower's servicing obligations thereunder, the Borrower shall not amend or modify, or waive any of the terms and conditions of, or settle or compromise any claim in respect of, any Collateral pledged hereunder.

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7.20(b) The Borrower shall not sell, contract to sell, assign, transfer or otherwise dispose of, or grant any option with respect to, or pledge or otherwise encumber any of the Collateral or any interest therein.

7.20(c) The Borrower shall not make any compromise, adjustment or settlement in respect of any of the Collateral or liquidate the Collateral.

ARTICLE VIII
DEFAULTS; REMEDIES

Section 8.1 Events of Default. The occurrence of any of the following

conditions or events shall be an event of default ("Event of Default"):

8.1(a) Failure to pay the principal of any Advance when due, whether at stated maturity, by acceleration, or otherwise; or failure to pay any installment of interest on any Advance or any other amount due under this Agreement or under the Warehousing Credit Facility when due; or

8.1(b) Failure of the Borrower or any of its Subsidiaries or Guarantor to pay, or any default in the payment of any principal or interest on, any other indebtedness or in the payment of any contingent obligation beyond any period of grace provided; or breach or default with respect to any other

material term of any other indebtedness or of any loan agreement, note, mortgage, security agreement, indenture or other agreement relating thereto, if the effect of such failure, default or breach is to cause, or to permit the holder or holders thereof (or a trustee on behalf of such holder or holders) to cause, indebtedness of the Borrower or its Subsidiaries to become or be declared due prior to its stated maturity (upon the giving or receiving of notice, lapse of time, both, or otherwise); or

8.1(c) Failure of the Borrower or Guarantor to perform or comply with any term or condition applicable to it contained in Sections 6.1 through 6.14, inclusive, or 7.1 through 7.20, inclusive, of this Agreement, or any of its obligations under the Warehousing Credit Facility; or

8.1(d) Any of the Borrower's or Guarantor's representations or warranties made herein or in any statement or certificate at any time given by the Borrower or Guarantor in writing pursuant hereto or in connection herewith shall be false in any material respect on the date as of which made; or

8.1(e) The Borrower or Guarantor shall default in the performance of or compliance with any term contained in this Agreement [other than those referred to in subsections 8.1(a), (b), (c), (d), (f), (g), (h), (i), (j), (k) or (l)] and such default shall not have been remedied or waived within fifteen (15) days after receipt of notice from the Bank of such default; or

8.1(f) (1) A court having jurisdiction shall enter a decree or order for relief in respect of the Borrower or any of its Subsidiaries or of Guarantor in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, which decree or order is not stayed; or (2) any other similar relief shall be granted under any applicable federal or state law; or a decree or order of a court having jurisdiction for the appointment of a receiver, liquidator, sequestrator, trustee, custodian or other officer having similar powers over the Borrower or any of its Subsidiaries or of Guarantor, or over all or a substantial part of their respective property, shall have been entered; or the involuntary appointment of an interim receiver, trustee or other custodian of the Borrower or any of its Subsidiaries or of Guarantor for all or a substantial part of their respective property; or the issuance of a warrant of attachment, execution or similar process against any substantial part of

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the property of the Borrower or any of its Subsidiaries or of Guarantor, and the continuance of any such events in this clause (2) for thirty (30) days unless dismissed, bonded off or discharged; or

8.1(g) The Borrower or any of its Subsidiaries or Guarantor shall have an order for relief entered with respect to it or commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or shall consent to the entry of an order for relief in an involuntary case, or to the conversion to an involuntary case, under any such law, or shall consent to the appointment of or taking possession by a receiver, trustee or other custodian for all or a substantial part of its property; the making by the Borrower or any of its Subsidiaries or any Guarantor of any assignment for the benefit of creditors; or the inability or failure of the Borrower or any of its Subsidiaries or of any Guarantor, or the admission by the Borrower or any of its Subsidiaries or any Guarantor in writing of its inability to pay its debts as such debts become due; or

8.1(h) Any money judgment, writ or warrant of attachment, or similar process involving in any case an amount in excess of \$25,000 shall be entered or filed against the Borrower or any of its Subsidiaries or Guarantor or any of their respective assets and shall remain undischarged, unvacated, unbonded or unstayed for a period of five (5) days or in any event later than five (5) days prior to the date of any proposed sale thereunder; or

8.1(i) Any order, judgment or decree shall be entered against the Borrower or Guarantor decreeing the dissolution, liquidation or split up of the Borrower or Guarantor and such order shall remain undischarged or unstayed; or

8.1(j) Any Plan maintained by the Borrower or any of its Subsidiaries or Guarantor shall be terminated within the meaning of Title IV of ERISA or a trustee shall be appointed by an appropriate United States district court to administer any Plan, or the Pension Benefit Guaranty Corporation (or any successor thereto) shall institute proceedings to terminate any Plan or to appoint a trustee to administer any Plan if as of the date thereof the Borrower's liability or any such Subsidiary's liability or Guarantor's liabilities (after giving effect to the tax consequences thereof) to the Pension Benefit Guaranty Corporation (or any successor thereto) for unfunded guaranteed vested benefits under the Plan exceeds the then current value of assets accumulated in such Plan by more than \$25,000 (or in the case of a termination involving the Borrower or any of its Subsidiaries or Guarantor's liabilities as a "substantial employer" (as defined in Section 4001(a)(2) of ERISA) the withdrawing employer's proportionate share of such excess shall exceed such amount); or

8.1(k) The Borrower or any of its Subsidiaries or Guarantor as employer under a Multiemployer Plan shall have made a complete or partial withdrawal from such Multiemployer Plan and the plan sponsor of such Multiemployer Plan shall have notified such withdrawing employer that such employer has incurred a withdrawal liability in an annual amount exceeding \$25,000; or

8.1(l) The Borrower or Guarantor shall purport to disavow its obligations hereunder or shall contest the validity or enforceability hereof; or the Bank's security interest in any portion of the Collateral shall become unenforceable or otherwise impaired.

Section 8.2 Remedies.

8.2(a) Upon the occurrence of any Event of Default described in Section 8.1(f) or (g) the unpaid principal amount of and accrued interest on the -----
Note shall automatically become due and payable, without presentment, demand or other requirements of any kind, all of which are hereby expressly waived by the Borrower.

8.2(b) Upon the occurrence of any Event of Default (other than those described in Section 8.1(f) or (g)), the Bank may, by written notice to -----
the Borrower declare all or any portion of the Advances to be due and payable whereupon the same shall forthwith become due and payable, together with all accrued interest thereon, and the obligation of the Bank to make Advances shall thereupon terminate.

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8.2(c) Upon the occurrence of any Event of Default, the Bank may also do any one or more or all of the following:

(1) Foreclose upon or otherwise enforce its security interest in and Lien on all of the Collateral or on any portion thereof to secure all payments and performance of obligations owed by Borrower under this Agreement.

(2) Notify all obligors of Collateral or on any portion thereof that the Collateral has been assigned to the Bank and that all payments thereon are to be made directly to the Bank or such other party as may be designated by the Bank; settle, compromise, or release, in whole or in part, any amounts owing on the Collateral, any such obligor or Investor or any portion of the Collateral, on terms acceptable to the Bank; enforce payment and prosecute any action or proceeding with respect to and any and all Collateral; and where any such Collateral is in default, foreclose on and enforce security interests in, such Collateral by any available judicial procedure or without judicial process and sell property acquired as a result of any such foreclosure.

(3) Act, or contract with a third party to act, as servicer of all or any item of Collateral requiring servicing, such third party's fees to be paid by the Borrower.

(4) Exercise all rights and remedies of a secured creditor under the Uniform Commercial Code of the State of Texas or the state in which the Collateral is located, including but not limited to taking possession and

disposing of all or any portion of the Collateral and selling the Collateral at public or private sale, as a unit or in parcels, upon any terms and prices and in any order, free from any claim or right of any kind; and for such purpose the Bank may maintain all or any part of the Collateral and the Servicing Records with respect to the Collateral on Borrower's premises for such period of time as may be reasonably necessary without any charge whatsoever. Upon Bank's demand, Borrower will take all steps necessary to prepare the Collateral for and otherwise assist in any proposed disposition of the Collateral; and assemble the Collateral and the Servicing Records with respect to the Collateral and make it available to the Bank at a reasonably convenient location. Any disposition of the Collateral may be made by way of one or more contracts and at any such disposition it shall not be necessary to exhibit the Collateral. To enforce the rights granted to the Bank pursuant to the terms of this Security Agreement, the Bank may take all actions reasonably necessary to take possession of the Collateral and the Servicing Records with respect to the Collateral, and shall not be liable for damages to, or destruction of, persons or property in connection therewith and shall in no way be liable for any consequential damages (whatsoever be the proximate cause thereof) of any kind. In addition, in order to dispose of the Collateral and otherwise enforce the rights granted to it hereunder, Bank may use, and advertise the Collateral for sale under, any and all trade names or service names attached to, fixed upon or made part of any of the Collateral. Subject to the limitations of the Agencies, Bank may access any or all Custodial Accounts, to the extent that Borrower is entitled to do so, for the recovery of Agency Servicing Payments and Non-Agency Servicing Payments due to Borrower, and to apply such amounts so received in payment of the outstanding amount of the Obligations in such order and manner as Bank shall determine in its sole discretion. The Bank shall give the Borrower not less than five (5) days' notice of any such public sale or of the date after which private sale may be held. The Borrower agrees that five (5) days' notice shall be reasonable notice. At any such sale the Collateral may be sold as an entirety or in separate parts, as the Bank may determine. The Bank may, without notice or publication, adjourn any public or private sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for the sale, and such sale may be made at any time or place to which the same may be so adjourned. In case of any sale of all or any part of the Collateral on credit or for future delivery, the Collateral so sold may be retained by the Bank until the selling price is paid by the purchaser thereof, but the Bank shall not incur any liability in case of the failure of such purchaser to take up and pay for the Collateral so sold and, in case of any such failure, such Collateral may again be sold upon like notice. The Bank may, however, instead of exercising the power of sale herein conferred upon it, proceed by a suit or suits at law or in equity to collect all amounts due upon all or any portion of the Collateral or to foreclose the pledge and sell all or any portion of the Collateral under a judgment or decree of a court or courts of competent jurisdiction, or both.

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(5) Proceed against the Borrower on the Note or against the Guarantor under the Guaranty or both.

(6) Pursue any rights and/or remedies available at law or in equity against the Borrower or the Guarantor or both.

8.2(d) The Bank shall incur no liability as a result of the sale of the Collateral, or any part thereof, at any private sale. The Borrower hereby waives any claims it may have against the Bank arising by reason of the fact that the price at which the Collateral may have been sold at such private sale was less than the price which might have been obtained at a public sale or was less than the aggregate amount of the outstanding Advances and the unpaid interest accrued thereon, even if the Bank accepts the first offer received and does not offer the Collateral, or any part thereof, to more than one offeree.

8.2(e) The Borrower waives any right to require the Bank to (1) proceed against any Person, (2) proceed against or exhaust all or any of the Collateral or pursue its rights and remedies as against the Collateral in any particular order, or (3) pursue any other remedy in its power. The Bank shall not be required to take any steps necessary to preserve any rights of the Borrower against holders of mortgages prior in lien to the Lien of any Mortgage included in the Collateral or to preserve rights against prior parties.

8.2(f) The Bank may, but shall not be obligated to, advance any sums or do any act or thing necessary to uphold and enforce the Lien and priority of, or the security intended to be afforded by, any Mortgage included in the Collateral, including, without limitation, payment of delinquent taxes or

assessments and insurance premiums. All advances, charges, costs and expenses, including reasonable attorneys' fees and disbursements, incurred or paid by the Bank in exercising any right, power or remedy conferred by this Agreement, or in the enforcement hereof, together with interest thereon, at the rate of interest specified in the Note, from the time of payment until repaid, shall become a part of principal balance outstanding under the Note.

8.2(g) The rights, titles, interests, liens and securities of the Bank hereunder shall be cumulative of all of the securities, rights, titles, interests or liens which the Bank may now or at any time hereafter hold securing the payment of the Obligations, or any part thereof.

8.2(h) The Bank is hereby expressly authorized to apply by appropriate judicial proceedings for appointment of a receiver for the Collateral, or any part thereof, and Borrower hereby expressly consents to any such appointment.

8.2(i) The Bank is hereby authorized, in its own name or the name of Borrower, after an Event of Default, to notify any or all parties obligated on any of the Collateral to make all payments due or to become due thereon directly to the Bank, or such other person or officer as the Bank may require, whereupon the power and authority of Borrower to collect the same in the ordinary course of its business shall be deemed to be immediately revoked and terminated. With or without such general notification, the Bank may take or bring in Borrower's name or that of the Bank all steps, actions, suits or proceedings deemed by the Bank necessary or desirable to effect possession or collection of the Collateral, including sums due or paid thereon, may complete any contract or agreement of Borrower in any way related to any of the Collateral, may make allowances or adjustments related to the Collateral, may compromise any claims related to the Collateral, may issue credit in its own name or the name of Borrower, and Bank may remove from Borrower's premises all documents, instruments, records, files or other items relating to the Collateral (including any Servicing Records with respect to the Collateral) , and the Bank may, without cost or expense to the Bank, use Borrower's personnel, supplies and space to take possession of, administer, collect and dispose of the Collateral. Regardless of any provision hereof, however, Bank shall ever be liable to Borrower for the failure of Bank to collect or for its failure to exercise diligence in the collection, possession, or any transaction concerning, all or part of the Collateral or sums due or paid thereon, nor shall Bank be under any obligation whatsoever to anyone by virtue of this Security Agreement, except to account for the funds that the Bank shall actually receive hereunder.

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8.2(j) No failure on the part of the Bank to exercise, and no delay in exercising, any right, power or remedy provided hereunder, at law or in equity shall operate as a waiver thereof; nor shall any single or partial exercise by the Bank of any right, power or remedy provided hereunder, at law or in equity preclude any other or further exercise thereof or the exercise of any other right, power or remedy. Without intending to limit the foregoing, all defenses based on the statute of limitations are hereby waived by the Borrower. The remedies herein provided are cumulative and are not exclusive of any remedies provided at law or in equity.

Section 8.3 Application of Proceeds. The proceeds of any sale or other

enforcement of the Bank's security interest in all or any part of the Collateral shall be applied by the Bank:

First, to the payment of the costs and expenses of such sale or

enforcement, including reasonable compensation to the Bank's agents and counsel, and all expenses, liabilities and advances made or incurred by or on behalf of the Bank in connection therewith;

Second, to the payment of any other amounts due (other than principal

and interest) under the Note or this Agreement and the Warehousing Credit Facility;

Third, to the payment of interest accrued and unpaid on the Note and

the Note evidencing the Warehousing Credit Facility;

Fourth, to the payment of the outstanding principal balance of the

Note and the Note evidencing the Warehousing Credit Facility; and

Finally, to the payment to the Borrower, or to its successors or

assigns, or as a court of competent jurisdiction may direct, of any surplus then remaining from such proceeds. If the proceeds of any such sale are insufficient to cover the costs and expense; of such sale, as aforesaid, and the payment in full of the Note and all other amounts due hereunder, the Borrower shall remain liable for any deficiency.

Section 8.4 Bank Appointed Attorney-in-Fact. The Bank is hereby

appointed the attorney-in-fact of the Borrower, with full power of substitution, for the purpose of carrying out the provisions hereof and taking any action and executing any instruments which the Bank may deem necessary or advisable to accomplish the purposes hereof, which appointment as attorney-in-fact is irrevocable and coupled with an interest. Without limiting the generality of the foregoing, the Bank shall have the right and power to give notices of its security interest in the Collateral to any Person, either in the name of the Borrower or in its own name, or to receive, endorse and correct all checks made payable to the order of the Borrower representing any payment on account of the principal of or interest on, or the proceeds of sale of, any of the Collateral or and to give full discharge for the same.

Section 8.5 Right of Set-Off. If the Borrower shall default in the

payment of the Note, any interest accrued thereon, or any other sums which may become payable hereunder when due, or in the performance of any of its other obligations or liabilities under this Agreement, the Bank, shall have the right, at any time and from time to time, without notice, to set-off and to appropriate or apply any and all deposits of money or property or any other indebtedness at any time held or owing by the Bank or a parent company, affiliate, or subsidiary of the Bank to or for the credit of the account of the Borrower against and on account of the obligations and liabilities of the Borrower under the Note and this Agreement, irrespective of whether or not the Bank shall have made any demand hereunder and whether or not said obligations and liabilities shall have matured, provided, however, that the aforesaid right of set-off shall not apply to any deposits of escrow monies being held on behalf of the mortgagors under Mortgage Loans or other third parties.

Section 8.6 Reasonable Assurances. If, at any time during the term of

the Agreement, Bank has reason to believe that Borrower is not conducting its business in accordance with, or otherwise is not satisfying: (i) all applicable statutes, regulations, rules, and notices of federal, state, or local governmental agencies or instrumentalities, all applicable requirements of Investors and Insurers and prudent industry standards or (ii) all

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applicable requirements of Bank, as set forth in this Agreement, then, Bank shall have the right to demand, pursuant to written notice from Bank to Borrower specifying with particularity the alleged act, error or omission in question, reasonable assurances from Borrower that such a belief is in fact unfounded, and any failure of Borrower to provide to Bank such reasonable assurances in form and substance reasonably satisfactory to Bank, within the time frame specified in such written notice shall itself constitute an Event of Default hereunder. Borrower hereby authorizes Bank to take such actions as may be necessary or appropriate to confirm the continued eligibility of Borrower for Advances hereunder, including without limitation (i) ordering credit reports and (ii) contacting licensing authorities, Agencies and Investors or Insurers.

ARTICLE IX
REIMBURSEMENT OF EXPENSES; INDEMNITY

The Borrower shall:

Section 9.1 Cost of Transaction and Enforcement. Pay all out-of-pocket

costs and expenses of the Bank, including reasonable attorney's fees, in connection with the documentation, administration and enforcement of this Agreement, the Note, and other documents and instruments related hereto and the

making and repayment of the Advances and the payment of interest thereon.

Section 9.2 Payments of Taxes. Pay, and hold the Bank and any holder of

the Note harmless from and against, any and all present and future stamp, documentary and other similar taxes with respect to the foregoing matters and save the Bank and the holder or holders of the Note harmless from and against any and all liabilities with respect to or resulting from any delay or omission to pay such taxes.

Section 9.3 INDEMNIFICATION. INDEMNIFY, PAY AND HOLD HARMLESS THE BANK

AND ANY OF ITS OFFICERS, DIRECTORS, EMPLOYEES OR AGENTS AND ANY SUBSEQUENT HOLDER OF THE NOTE FROM AND AGAINST ANY AND ALL LIABILITIES, OBLIGATIONS, LOSSES, DAMAGES, PENALTIES, JUDGMENTS, SUITS, COSTS, EXPENSES AND DISBURSEMENTS OF ANY KIND WHATSOEVER (THE "INDEMNIFIED LIABILITIES") (EXCLUDING ANY SUCH INDEMNIFIED LIABILITIES RESULTING FROM FAILURE BY THE BANK TO PERFORM ANY OF ITS OBLIGATIONS (BUT INCLUDING THOSE RELATING TO BANK'S NEGLIGENCE) UNDER THIS AGREEMENT, THE NOTE, OR ANY OTHER DOCUMENT REFERRED TO HEREIN AS ESTABLISHED IN A SUIT BETWEEN THE BORROWER AND THE BANK WHICH MAY BE THE SAME SUIT IN WHICH INDEMNIFICATION IS BEING SOUGHT HEREUNDER BY THE BANK) WHICH MAY BE IMPOSED UPON, INCURRED BY OR ASSERTED AGAINST THE BANK OR SUCH HOLDER IN ANY WAY RELATING TO OR ARISING OUT OF THIS AGREEMENT, THE NOTE, OR ANY OTHER DOCUMENT REFERRED TO HEREIN OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY TO THE EXTENT THAT ANY SUCH INDEMNIFIED LIABILITIES RESULT (DIRECTLY OR INDIRECTLY) FROM (I) THE INACCURACY OR INCOMPLETENESS OF ANY REPRESENTATION OR WARRANTY MADE BY THE BORROWER IN THIS AGREEMENT OR ANY SCHEDULE, STATEMENT, EXHIBIT OR CERTIFICATE FURNISHED BY THE BORROWER PURSUANT TO THIS AGREEMENT OR (H) THE FAILURE BY THE BORROWER TO OBSERVE OR PERFORM ANY TERM OR PROVISION OF THIS AGREEMENT OR OF ANY AGREEMENT EXECUTED IN CONNECTION HEREWITH, INCLUDING WITHOUT LIMITATION ANY CLAIMS MADE, OR ANY ACTIONS, SUITS OR PROCEEDINGS COMMENCED OR THREATENED, BY OR ON BEHALF OF ANY CREDITOR (EXCLUDING THE BANK AND THE HOLDER OR HOLDERS OF THE NOTE), SECURITY HOLDER, SHAREHOLDER, MORTGAGOR, CUSTOMER (INCLUDING, WITHOUT LIMITATION, ANY PERSON OR ENTITY HAVING ANY DEALINGS OF ANY KIND WITH THE BORROWER), TRUSTEE, DIRECTOR, OFFICER, EMPLOYEE AND/OR AGENT OF THE BORROWER ACTING IN SUCH CAPACITY, THE BORROWER OR ANY GOVERNMENTAL REGULATORY BODY OR AUTHORITY (EXCLUDING THE OFFICE OF THE COMPTROLLER OF THE CURRENCY, THE FEDERAL DEPOSIT

INSURANCE CORPORATION AND ANY OTHER BANKING REGULATORY BODY OR AUTHORITY HAVING JURISDICTION OVER THE BANK).

ARTICLE X

[INTENTIONALLY DELETED]

ARTICLE XI
MISCELLANEOUS

Section 11.1 Relationship of Parties. The relationship between Bank and

the Borrower is limited to that of creditor/secured party, on the one hand, and borrower, on the other hand. The provisions herein for compliance with financial covenants and delivery of financial statements, are intended solely for the benefit of Bank to protect its interests as lender in assuring performance of the obligations hereunder, and nothing contained in this Agreement shall be construed as permitting or obligating Bank to act as a financial or business advisor or consultant to the Borrower, as permitting or obligating the Bank to control the Borrower or to conduct the Borrower's operations, as creating any joint venture, agency, fiduciary, trustee, or other relationship between the parties other than as explicitly and specifically stated in this Agreement. The Borrower acknowledges that it has had the opportunity to obtain the advice of experienced counsel of its own choosing in connection with the negotiation and execution of this Agreement and to obtain the advice of such counsel with respect to all Matters contained herein. The Borrower further acknowledges that it is experienced with respect to financial and credit matters and has made its own independent decision to execute and deliver this Agreement.

Section 11.2 Recourse. The Borrower acknowledges and agrees that it is

fully liable for repayment of all Advances and all sums due hereunder or under the Note and for performance of all obligations contained in this Agreement.

Section 11.3 Notices. All notices, demands, consents, requests and other

communications required or permitted to be given or made hereunder (collectively, "Notices") shall, except as otherwise expressly provided

hereunder, be in writing and shall be delivered in person or telegraphed or mailed, first class, return receipt requested, postage prepaid, or by overnight delivery service or by telecopy or other telecommunications device addressed to the respective parties hereto at their respective addresses hereinafter set forth or, as to any such party, at such other address as may be designated by it in a Notice to the other. All Notices shall be conclusively deemed to have been properly given or made on the day when deposited in the mails or when delivered to the overnight delivery service or when sent by telecopy, addressed as follows:

if to the Borrower: HomeOwners Mortgage & Equity, Inc.,
a Delaware corporation, d/b/a Home, Inc.
6836 Austin Center Blvd., Suite 280
Austin, Texas 78731
Attn: John Ballard, President
Telecopy No.: (512) 343-1837

if to the Bank: Guaranty Federal Bank, F.S.B.
8333 Douglas Avenue
Dallas, Texas 75225
Attn: Warehouse Lending
Telecopy No: (214) 360-1660

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Section 11.4 Terms Binding Upon Successors; Survival. The terms and

provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. All representations, warranties, covenants and agreements herein contained on the part of the Borrower shall survive the making of any Advance and the execution of the Note, and shall be effective so long as there remains any obligation of the Borrower hereunder or under the Note or under the Warehousing Credit Facility, to be paid or performed.

Section 11.5 Regulatory Requirements. This Agreement is subject to all

governmental regulations to which the Bank is subject. Notwithstanding anything to the contrary, in no event shall the Bank be obligated to advance to Borrower hereunder or under the Loan Documents any amounts which would cause the Bank to exceed applicable governmental lending limit regulations.

Section 11.6 Interest. Notwithstanding anything contained herein or in

the Note to the contrary, the Bank shall never be deemed to have contracted for or be entitled to receive, collect or apply as interest on any Note, any amount in excess of the amount permitted and calculated at the maximum rate permitted by applicable law (the "Maximum Rate"), and, in the event Bank ever

receives, collects or applies as interest any amount in excess of the amount permitted and calculated at the Maximum Rate, such amount which would be excessive interest shall be applied to the reduction of the unpaid principal balance of Note, and, if the principal balance of Note is paid in full, any remaining excess shall forthwith be paid to Borrower. In determining whether or not the interest paid or payable under any specific contingency exceeds the Maximum Rate, Borrower and Bank shall, to the maximum extent permitted under applicable law, (i) characterize any non-principal payment (other than payments which are expressly designated as interest payments hereunder) as an expense, fee, or premium, rather than as interest, (ii) exclude voluntary prepayments and the effect thereof, and (iii) spread the total amount of interest throughout the entire contemplated term of such Note.

To the extent that Article 5069-1.04 of the Texas Revised Civil Statutes is relevant to the Bank for the purpose of determining the Maximum Rate, the Bank

hereby elects to determine the applicable rate ceiling under such Article by the "indicated rate ceiling" from time to time in effect, subject to the Bank's right subsequently to change such method in accordance with applicable law.

Section 11.7 Assignments, etc.

(a) Assignments and Participations. All covenants and agreements by or on

behalf of Borrower in the Note, this Agreement, or any other Loan Document shall bind Borrower's successors and assigns and shall inure to the benefit of the Bank and its successors and assigns. Borrower shall not, however, have the right to assign its rights under this Agreement or any interest herein, without the prior written consent of the Bank. The Bank may assign to one or more Persons all or any part of, and may grant participations to one or more Persons in all or any part of, its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment, the Advances owing to it and the Note held by it). In the event that Bank sells participations in the Note or other Obligations of Borrower incurred or to be incurred pursuant to this Agreement, to other lenders, each of such other lenders shall have the rights of set off against such Obligations and similar rights or Liens to the same extent as may be available to the Bank.

(b) Additional Bank. From time to time additional Bank may be added

hereto upon execution by the Borrower, the Bank and such additional Bank of documentation in form and substance satisfactory to each of such parties.

Section 11.8 Exhibits. The exhibits attached to this Agreement are

incorporated herein and shall be considered a part of this Agreement for the purposes stated herein, except that in the event of any conflict between any of the provisions of such exhibits and the provisions of this Agreement, the provisions of this Agreement shall prevail.

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Section 11.9 Titles of Articles, Sections and Subsections. All titles or

headings to articles, sections, subsections or other divisions of this Agreement or the exhibits hereto are only for the convenience of the parties and shall not be construed to have any effect or meaning with respect to the other content of such articles, sections, subsections or other divisions, such other content being controlling as to the agreement between the parties hereto.

Section 11.10 Counterparts. This Agreement may be executed in two or more

counterparts, and it shall not be necessary that the signatures of both parties hereto be contained on any one counterpart hereof; each counterpart shall be deemed an original, but all counterparts together shall constitute one and the same instrument.

SECTION 11.11. WAIVER OF TRIAL BY JURY. AS A SPECIFICALLY BARGAINED

INDUCEMENT FOR THE BANK TO ENTER INTO THIS AGREEMENT AND EXTEND CREDIT TO BORROWER, BORROWER AND THE BANK EACH WAIVE TRIAL BY JURY WITH RESPECT TO ANY ACTION, CLAIM, SUIT OR PROCEEDING IN RESPECT OF OR ARISING OUT OF THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT AND/OR THE CONDUCT OF THE RELATIONSHIP BETWEEN THE BANK AND BORROWER.

Section 11.12. Confidentiality. Except as provided herein to the contrary,

all correspondence from the Bank to Borrower and all of the Loan Documents are confidential and may not be shown by Borrower to or discussed by Borrower with any third party (other than on a confidential basis with Borrower's legal counsel and independent public accountants) without Bank's prior written consent. All documents, forms, correspondence, files, contracts, customer lists, financial tables, records, techniques, processes and all other information directly or indirectly given to or received by Bank during the term of this Agreement, that relate in any manner to any business or operation that Borrower is engaged in, constitute trade secrets of Borrower and shall remain the property of Borrower subject to the rights, security interests and remedies of Bank. During and after the term of this Agreement, Bank shall maintain the confidentiality of all such trade secrets and not disclose to any person (other

than an employee or agent of Bank or any Affiliate thereof) any confidential information relating to such trade secrets, without the consent of Borrower, or until such information ceases to be confidential. Notwithstanding the foregoing, Bank shall not be precluded from disclosures respecting Borrower when required by law or a governmental agency or in connection with the audit and preparation of the Bank's financial statements. Upon the termination of this Agreement by Bank, Bank shall deliver to Borrower all materials and information constituting such trade secrets.

Section 11.13 Amendments. This Agreement may be modified or amended by

the Bank at any time upon 30 days notice to the Borrower. Such modification or amendment will not take effect if, within fifteen (15) days from the date of such notice, the Bank receives a written objection to such modification or amendment from the Borrower. If no such objection is received by the Bank such modification or amendment will automatically become effective upon the 30th day from the date of such notice by the Bank.

Section 11.14 No Waiver; Remedies Cumulative. No failure or delay on the

part of the Borrower or the Bank or any holder of the Note in exercising any right, power or privilege hereunder and no course of dealing between the Borrower and the Bank or the holder of the Note shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege hereunder or under the Note preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder. The rights and remedies herein expressly provided are cumulative and not exclusive of any rights or remedies which the Borrower or the Bank or the holder of the Note would otherwise have. No notice to or demand on the Borrower in any case shall entitle the Borrower to any other or further notice or demand in similar or other circumstances or constitute a waiver of the rights of the Bank or the holder of the Note to any other or further action in any circumstances without notice or demand.

Section 11.15 Invalidity. In case any one or more of the provisions

contained in this Agreement shall for any reason be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality or

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unenforceability shall not affect any other provisions hereof, and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had not been included.

Section 11.16 Participations. The Bank may from time to time sell or

otherwise grant participations in the Commitment and the Note, and the holder of any such participation, if the participation agreement so provides, (i) shall, with respect to its participation, be entitled to all of the rights of the Bank and (ii) may exercise any and all rights of setoff or banker's lien with respect thereto, in each case as fully as though the Borrower were directly indebted to the holder of such participation in the amount of such participation; provided, however, that the Borrower shall not be required to send or deliver to any of the participants other than the Bank any of the materials or notices required to be sent or delivered by it under the terms of this Agreement, nor shall it have to act except in compliance with the instructions of the Bank.

SECTION 11.17 CHOICE OF LAW. THIS AGREEMENT, THE NOTES AND EACH LOAN

DOCUMENT IS A CONTRACT MADE UNDER AND SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE UNITED STATES OF AMERICA AND THE STATE OF TEXAS, EXCEPT AS OTHERWISE SPECIFIED HEREIN OR THEREIN, AND, WITH RESPECT TO USURY LAWS, IF ANY, APPLICABLE TO THE BANKS AND TO THE EXTENT ALLOWED THEREBY, AS SUCH LAWS MAY HEREAFTER BE IN EFFECT WHICH ALLOW A HIGHER MAXIMUM NONUSURIOUS INTEREST RATE THAN SUCH LAWS NOW ALLOW. TEX. REV. CIV. STAT. ANN. ART. 5069, CH. 15 (WHICH REGULATES CERTAIN REVOLVING LOAN ACCOUNTS AND REVOLVING TRI-PARTY ACCOUNTS) SHALL NOT APPLY TO THIS AGREEMENT OR THE NOTES.

Section 11.18 Additional Instruments, etc. The Borrower shall execute

and deliver such further instruments and shall do and perform all matters and things necessary or expedient to be done or observed for the purpose of effectively creating, maintaining and preserving the security and benefits

intended to be afforded by this Agreement.

Section 11.19 Right of Offset. Borrower hereby grants to the Bank, to

each Bank and to any assignee or participant of any Bank a right of offset, to secure the repayment of the Obligations, upon any and all monies, securities or other property of Borrower, and the proceeds therefrom now or hereafter held or received by or in transit to such Person, from or for the account of Borrower, whether for safekeeping, custody, pledge, transmission, collection or otherwise, and also upon any and all deposits (general or special, time or demand, provisional or final) and credits of Borrower, and any and all claims of Borrower against such Person at any time existing. Upon the occurrence of any Event of Default, such Person is hereby authorized at any time and from time to time, without notice to Borrower, to offset, appropriate, and apply any and all items hereinabove referred to against the Obligations. Bank's contractual right of offset granted by Borrower hereunder is separate and independent of Bank's common law right of offset and is not governed by any restrictions existing under the common law right of offset. Notwithstanding anything in this Section

11.19 or elsewhere in this Agreement to the contrary, the Bank and any assignee

or participant of any Bank shall not have any right to offset, appropriate or apply any accounts of Borrower which consist of escrowed funds (except and to the extent of any beneficial interest of Borrower in such escrowed funds) which have been so identified by Borrower in writing at the time of deposit thereof.

SECTION 11.20 VENUE. THE BORROWER HEREBY AGREES THAT THE OBLIGATIONS

CONTAINED HEREIN ARE PERFORMABLE IN DALLAS COUNTY, TEXAS. ALL PARTIES HERETO AGREE THAT (I) ANY ACTION ARISING OUT OF THIS TRANSACTION MAY BE FILED IN DALLAS COUNTY, TEXAS, (II) VENUE FOR ENFORCEMENT OF ANY OF THE OBLIGATIONS CONTAINED IN THE LOAN DOCUMENTS SHALL BE IN DALLAS COUNTY, TEXAS, (III) PERSONAL JURISDICTION SHALL BE IN DALLAS COUNTY, TEXAS, (IV) ANY ACTION OR PROCEEDING UNDER THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT MAY BE COMMENCED AGAINST BORROWER IN DALLAS COUNTY, (V) SUCH ACTION MAY BE INSTITUTED IN THE COURTS OF THE STATE OF TEXAS LOCATED IN DALLAS COUNTY, TEXAS OR IN THE UNITED STATES

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DISTRICT COURT FOR THE NORTHERN DISTRICT OF TEXAS LOCATED IN DALLAS COUNTY, TEXAS, AT THE OPTION OF THE BANK AND (VI) THE BORROWER HEREBY WAIVES ANY OBJECTION TO THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING AND ADDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO BE SUED ELSEWHERE. NOTHING HEREIN SHALL AFFECT THE RIGHT OF BANK TO ACCOMPLISH SERVICE OF PROCESS IN ANY OTHER MANNER PERMITTED BY LAW.

Section 11.21 Borrower Information. The Borrower hereby authorizes the

Bank to provide any Affiliate of the Bank with information regarding the Borrower, including copies of documents, financial statements, corporate records and reports, obtained by the Bank from the Borrower or any other entity during the course of the negotiation or administration of this Agreement.

Section 11.22 Time. Time is of the essence in the performance of this

Agreement.

SECTION 11.23. ENTIRE AGREEMENT. THIS WRITTEN LOAN AGREEMENT AND THE OTHER

LOAN DOCUMENTS REPRESENTED THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the date first above written.

Borrower:

HOMEOWNERS MORTGAGE & EQUITY, INC.,
a Delaware corporation, d/b/a HOME, INC.

By: /s/ Tommy M. Parker

Tommy M. Parker,
Executive Vice President

BANK:

GUARANTY FEDERAL BANK, F.S.B.,
a federal savings bank

By: _____
W. James Meintjes,
Assistant Vice President

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STATE OF TEXAS (S)
(S)
COUNTY OF TRAVIS (S)

This instrument was ACKNOWLEDGED before me the 8 day of November, 1996,
by Tommy M. Parker, in his capacity as Executive Vice President of HOMEOWNERS
MORTGAGE & EQUITY, INC., a Delaware corporation, d/b/a HOME, INC., on behalf of
said corporation.

/s/ Glenda Houchin

Notary Public - State of Texas

My Commission expires:
1-20-98

Glenda Houchin

Printed Name of Notary

STATE OF TEXAS (S)
(S)
COUNTY OF DALLAS (S)

[NOTARY PUBLIC SEAL]

This instrument was ACKNOWLEDGED before me the ____ day of November, 1996,
by W. James Meintjes, in his capacity as Assistant Vice President of GUARANTY
FEDERAL BANK, F.S.B., a federal savings bank, on behalf of said bank.

Notary Public - State of Texas

My Commission expires:

Printed Name of Notary

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LIST OF EXHIBITS

EXHIBIT A Promissory Note
EXHIBIT B Guaranty
EXHIBIT C Advance Request
EXHIBIT D Borrowing Base Report
EXHIBIT E List of Servicing Contracts
EXHIBIT F Compliance Certificate
EXHIBIT G Subsidiaries
EXHIBIT H Form of Legal Opinion by Counsel to Borrower
EXHIBIT I Certificate Accompanying Financial Statements
EXHIBIT J Purchaser's Acknowledgment
EXHIBIT K Indebtedness
EXHIBIT L Subservicing Contracts

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EXHIBIT "A"

PROMISSORY NOTE

\$3,000,000.00

Dallas, Texas

November 8, 1996

FOR VALUE RECEIVED, the undersigned, HOMEOWNERS MORTGAGE & EQUITY, INC., a Delaware corporation, d/b/a HOME, INC. (herein called "Borrower"), hereby

promises to pay to the order of GUARANTY FEDERAL BANK, F.S.B., a federal savings bank (herein called "Bank"), the principal sum of THREE MILLION AND NO/100

DOLLARS (\$3,000,000.00) or, if less, the aggregate unpaid principal amount of the Loan made under this Note by Bank to Borrower pursuant to the terms of the Working Capital Line of Credit and Security Agreement [Servicing Secured] together with all amendments, modifications and extensions thereto ("Loan

Agreement") dated of even date herewith, together with interest on the unpaid

principal balance thereof as hereinafter set forth, both principal and interest payable as herein provided in lawful money of the United States of America, for the account of Bank, at 8333 Douglas Avenue, Dallas, Texas 75225 or at such other place within Dallas County, Texas or such other address as may be given to Borrower by the Bank.

This Note (a) is executed and delivered pursuant to the Loan Agreement and is the Note as defined therein, (b) is subject to the terms and provisions of the Loan Agreement, which contains provisions for payments and prepayments hereunder, acceleration of the maturity hereof upon the happening of certain stated events and the obligation of Bank to advance funds hereunder, and (c) is secured by and entitled to the benefits of certain Loan Documents (herein so called). Payments on this Note shall be made and applied as provided herein and in the Loan Agreement. Reference is hereby made to the Loan Agreement for a description of certain rights, limitations of rights, obligations and duties of the parties hereto and for the meanings assigned to terms used and not defined herein and to the Loan Documents for a description of the nature and extent of the security thereby provided and the rights of the parties thereto. All capitalized terms used herein and not otherwise defined herein shall have the meanings given thereto in the Loan Agreement. The holder of this Note shall be entitled to the benefits provided for in the Loan Agreement.

Interest shall be due and payable on the tenth day of each month, beginning December 10, 1996. Interest shall accrue on the outstanding principal balance of this Note at the rates specified in the Loan Agreement.

The principal amount of this Note, together with all unpaid interest accrued hereon, shall be due and payable in full on November 7, 1997 (the "Maturity Date"). All payments of principal of and interest upon this Note

shall be made by Borrower to the Bank in federal or other immediately available funds. All payments made hereon shall be due and payable and applied in accordance with the Loan Agreement.

Notwithstanding the foregoing paragraph and all other provisions of this Note, in no event shall the interest payable hereon, whether before or after maturity, exceed the maximum amount of interest which, under applicable law, may be charged on this Note, and this Note is expressly made subject to the provisions of the Loan Agreement which more fully set out the limitations on how interest accrues hereon. In the event applicable law provides for a ceiling under Texas Revised Civil Statutes Annotated article 5069-1.04, that ceiling shall be the indicated rate ceiling and shall be used in this Note for calculating the Maximum Rate and for all other purposes. The term "applicable law" as used in this Note shall mean the laws of the State of Texas or the laws of the United States,

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Identification

whichever laws allow the greater interest, as such laws now exist or may be changed or amended or come into effect in the future.

If this Note is placed in the hands of an attorney for collection after default, or if all or any part of the indebtedness represented hereby is proved, established or collected in any court of in any bankruptcy, receivership, debtor relief, probate or other court proceedings, Borrower and all endorsers, sureties and guarantors of this Note jointly and severally agree to pay reasonable attorneys' fees and collection costs to the holder hereof in addition to the principal and interest payable hereunder.

Borrower and all endorsers, sureties and guarantors of this Note hereby severally waive demand, presentment for payment, protest, notice of protest, notice of intention to accelerate the maturity of this Note, diligence in collecting, the bringing of any suit against any party and any notice of or defense on account of any extensions, renewals, partial payments or changes in any manner of or in this Note or in any of its terms, provisions and covenants, or any releases or substitutions of any security, or any delay, indulgence or other act of any trustee or any holder hereof, whether before or after maturity.

Maker reserves the right to prepay the outstanding principal balance of this Note, in whole or in part at any time and from time to time without premium or penalty, in accordance with the terms of the Loan Agreement.

THE BORROWER HEREBY AGREES THAT THE OBLIGATIONS CONTAINED HEREIN ARE PERFORMABLE IN DALLAS COUNTY, TEXAS. ALL PARTIES HERETO AGREE THAT (I) ANY ACTION ARISING OUT OF THIS TRANSACTION SHALL BE FILED IN DALLAS COUNTY, TEXAS, (II) VENUE FOR ENFORCEMENT OF ANY OF THE OBLIGATIONS CONTAINED IN THE LOAN DOCUMENTS SHALL BE IN DALLAS COUNTY, TEXAS, (III) PERSONAL JURISDICTION SHALL BE IN DALLAS COUNTY, TEXAS, (IV) ANY ACTION OR PROCEEDING UNDER THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT SHALL BE COMMENCED AGAINST BORROWER IN DALLAS COUNTY, (V) SUCH ACTION SHALL BE INSTITUTED IN THE COURTS OF THE STATE OF TEXAS LOCATED IN DALLAS COUNTY, TEXAS OR IN THE UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF TEXAS LOCATED IN DALLAS COUNTY, TEXAS, AT THE OPTION OF THE BANK AND (VI) THE BORROWER HEREBY WAIVES ANY OBJECTION TO THE VENUE OF ANY SUCH SUIT, ACTION OR PROCEEDING AND ADDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO BE SUED ELSEWHERE. NOTHING HEREIN SHALL AFFECT THE RIGHT OF BANK TO ACCOMPLISH SERVICE OF PROCESS IN ANY OTHER MANNER PERMITTED BY LAW.

THIS NOTE, TOGETHER WITH ALL OF THE OTHER LOAN DOCUMENTS SHALL BE GOVERNED BY AND CONSTRUED ACCORDING TO THE LAWS OF THE STATE OF TEXAS AND THE APPLICABLE LAWS OF THE UNITED STATES OF AMERICA.

THIS NOTE AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR,

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CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

HOMEOWNERS MORTGAGE & EQUITY, INC., a Delaware corporation, d/b/a HOME, INC.

By: _____
Tommy M. Parker,
Executive Vice President

STATE OF TEXAS (S)
(S)
COUNTY OF TRAVIS (S)

This instrument was ACKNOWLEDGED before me the ____ day of November, 1996, by Tommy M. Parker, Executive Vice President of HOMEOWNERS MORTGAGE & EQUITY, INC., a Delaware corporation, d/b/a HOME, INC. on behalf of said corporation.

Notary Public -State of Texas

My Commission expires:

Printed Name of Notary

EXHIBIT "B"

UNCONDITIONAL GUARANTY

WHEREAS, HOMEOWNERS MORTGAGE & EQUITY, INC., a Delaware corporation, d/b/a HOME, INC. (hereinafter called the "Borrower"), desire to borrow from GUARANTY

FEDERAL BANK, F.S.B. the "Bank"), the principal sum of THREE MILLION AND NO/100

DOLLARS (\$3,000,000.00) (collectively, the "Loan"); and

WHEREAS, said borrowings are to be made by the Borrower pursuant to and under the terms of that Working Capital Line of Credit and Security Agreement [Servicing Secured] dated of even date herewith, between the Borrower and the Bank together with all amendments thereof (hereinafter called the "Loan

Agreement") and all promissory notes executed by Borrower in connection

therewith; and

WHEREAS, the undersigned desires the Bank to enter into the Loan Agreement and to make the aforesaid Loan, and the Bank requires, as a condition thereof, that a guaranty in the form hereof be executed and delivered by the undersigned;

NOW, THEREFORE, in consideration of the premises and to induce the Bank to enter into the Loan Agreement and to make the Loan contemplated thereby and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned, HOMECAPITAL INVESTMENT CORPORATION, a Nevada corporation (hereinafter called the "Guarantor"), hereby unconditionally

guarantees to the Bank and to every subsequent holder or holders of any promissory note or notes evidencing the Loan (said promissory note or notes together with any note or notes renewing the same or any part thereof being hereinafter collectively called the "Note") that (i) the principal of and

interest on, and attorneys' fees provided in, the Note will be promptly paid when due in accordance with the provisions thereof or, in the case of extension of time of payment in whole or in part of the Note, all sums will be promptly paid when due in accordance with the terms of the extension; (ii) all covenants and agreements of the Borrower contained in the Note, the Loan Agreement and/or any other instrument evidencing, securing or governing the disbursement of the Loan, whether presently existing or hereinafter entered into, will be duly and promptly observed and performed; and (iii) all additional amounts owing or which hereafter become owing by the Borrower under the terms of the Note, the Loan Agreement and/or any other instrument evidencing, securing or governing the disbursement of the Loan, whether presently existing or hereinafter entered into, will be promptly paid when due. This Guaranty directly and substantially benefits Guarantor.

The obligations of the Guarantor shall be performable without demand of the Bank and shall be unconditional irrespective of the genuineness, validity, regularity or enforceability of the Loan Agreement or the Note, or any other circumstance which might otherwise constitute a legal or equitable discharge of a surety or a guarantor; and the Guarantor hereby waives diligence, presentment, demand of payment, protest, all notices (whether of nonpayment, acceleration, dishonor, protest or otherwise) with respect to the Note, notice of acceptance of this Guaranty and of the incurring by the Borrower of any of the obligations hereinbefore mentioned, all demands whatsoever, and all rights to require the Bank, to (a) proceed against the Borrower, (b) proceed against or exhaust any collateral held by the Bank to secure the payment of the indebtedness guaranteed hereby, or (c) pursue any other remedy the Bank may now or hereafter have against the Borrower.

The Guarantor hereby agrees that, at any time or from time to time, without notice to the Guarantor:

(1) The time for payment of the principal of or interest on the Note evidencing the Loan may be extended or the Note may be renewed in whole or in part;

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Identification

(2) The time for the Borrower's performance of or compliance with any covenant or agreement contained in the Loan Agreement, the Note and/or any other instrument evidencing, securing or governing the disbursement of the Loan, whether presently existing or hereinafter entered into, may be extended or such performance or compliance may be waived;

(3) The maturity of the Note may be accelerated as provided therein or in the Loan Agreement and/or any other instrument evidencing, securing or governing the disbursement of the Loan, whether presently existing or hereinafter entered into;

(4) The Loan Agreement, the Note and/or any other instrument evidencing, securing or governing the disbursement of the Loan, whether presently existing or hereinafter entered into, may be modified or amended by the Bank and the Borrower in any respect, including, but not limited to, an increase in the principal amount; and

(5) Any security for the Loan may be modified, exchanged, surrendered or otherwise dealt with and/or additional security may be pledged or mortgaged for the Loan;

all without affecting the liability of the Guarantor.

The Guarantor hereby acknowledges that the withdrawal from, or termination of, any ownership interest in Borrower shall not alter, affect or in any way limit the obligations of Guarantor hereunder.

If this Guaranty shall be placed in the hands of an attorney for collection or should it be collected by legal proceedings or through any probate or bankruptcy court, the Guarantor agrees to pay to the Bank's reasonable attorneys' or collection fees.

The Bank may assign its rights hereunder in whole or in part; and upon any such assignment, all the terms and provisions of this Guaranty shall inure to the benefit of such assignee to the extent so assigned. The terms used to designate any of the parties herein shall be deemed to include the heirs, legal representatives, successors and assigns of such parties; and the term "Bank" shall include, in addition to the Bank, any lawful owner, holder or pledgee of any indebtedness guaranteed hereby.

The Bank is relying and is entitled to rely upon each and all of the provisions of this Guaranty; and accordingly, if any provision or provisions of this instrument should be held to be invalid or ineffective, then all other provisions shall continue in full force and effect.

The Guarantor acknowledges that the Loan represents money which will be advanced to the Borrower in a series of advances to be made from time to time pursuant to the Loan Agreement. To induce the Bank to make the advances thereunder, the Guarantor hereby agrees that in the event of the termination, liquidation or dissolution of the Borrower, this Guaranty shall continue in full force and effect.

The Guarantor hereby represents and warrants to the Bank that the financial statements and information regarding the Guarantor heretofore delivered to the Bank are true and correct in all material respects, having been applied on a consistent basis throughout the period covered thereby, and fairly present the financial position of the Guarantor as of the dates thereof, and that no material adverse change has occurred in the financial condition of the Guarantor reflected therein since the date thereof.

The Guarantor hereby represents and warrants to the Bank that:

(a) Neither the execution and delivery of this Guaranty, nor the consummation of any of the transactions herein or therein contemplated, nor compliance with the terms and provisions hereof or with the terms and provisions thereof, will materially contravene or conflict with any provision of law, statute or regulation to

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Identification

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which Guarantor is subject or any judgment, license, order or permit applicable to Guarantor, or any indenture, mortgage, deed of trust or other agreement or instrument to which Guarantor is a party or by which Guarantor may be bound, or to which Guarantor may be subject.

(b) Guarantor is not in default (and no event exists which with notice or the passage of time could become a default) under any loan agreement, mortgage, security agreement or other material agreement or obligation to which it is a party or by which any of its properties is bound including but not limited to the Loan Documents.

(c) There are no actions, suits or legal, equitable, arbitration or administrative proceedings pending, or to the knowledge of Guarantor, threatened against Guarantor.

(d) All tax returns required to be filed by the Guarantor in any jurisdiction have been filed or extended and all taxes, assessments, fees and other governmental charges upon Guarantor or upon any of its properties, income or franchises have been paid prior to the time that such taxes could give rise to a lien thereon, unless protested in good faith by appropriate proceedings and with respect to which reserves in conformity with GAAP have been established on the books of Guarantor. The Guarantor has no knowledge of any proposed tax assessment against Guarantor.

(e) Guarantor shall permit any authorized officer, employee or agent of the Bank, to visit and inspect any of the business properties of the Guarantor, examine Guarantor's books of record and accounts, take copies and extracts therefrom, and inspect and discuss the procedures, finances and accounts of Guarantor with Guarantor's accountants and auditors, all at such reasonable times and as often as Bank may desire. Guarantor shall furnish such reports as Bank may reasonably request.

Notwithstanding any provision in this Guaranty to the contrary, Guarantor hereby waives and releases (i) any and all rights of subrogation, reimbursement, indemnification or contribution which it may have, against others liable on all or any part of the Loan, (ii) any and all rights to be subrogated the rights of the Bank in any collateral or security for all or any part of the Loan, and (iii) any and all other rights and claims of such Guarantor against Borrower or any third party as a result of such Guarantor's payment of all or any part of the Loan.

Capitalized terms not defined herein are used as defined in the Loan Agreement.

The obligations of the Guarantor and any other guarantor of the Note evidencing the Loan shall be joint and several. The Guarantor agrees that the Bank, in its sole discretion, may (i) bring suit against the Guarantor and any other guarantor of the Note evidencing the Loan jointly and severally or against any one or more of them, (ii) compound or settle with any one or more of the guarantors of the Note evidencing the Loan for such consideration as the Bank may deem proper, (iii) release one or more of the guarantors of the Note evidencing the Loan from liability thereunder, and (iv) otherwise deal with the Guarantor and any other guarantors of the Note, or any one or more of them, in any manner whatsoever; and that no such action shall impair the rights of the Bank to collect the indebtedness hereby guaranteed from the Guarantor. Nothing contained in this paragraph shall in any way affect or impair the rights or obligations of the Guarantor with respect to any other guarantor of the Note evidencing the Loan.

Any indebtedness of the Borrower to the Guarantor now or hereafter existing (including, but not limited to, any rights to subrogation the Guarantor may have as a result of any payment by the Guarantor under this Guaranty), together with

any interest thereon, shall be, and such indebtedness is hereby subordinated until payment in full of the indebtedness of the Borrower to the Bank under the Loan Documents and all other obligations hereunder. Until payment in full with interest of the indebtedness of the Borrower to the Bank (and including interest accruing on the Note after any petition under the Bankruptcy Reform Act of 1978, as amended (the "Bankruptcy Code")), which post-petition interest the parties

agree shall remain a claim that is prior and superior to any claim of the Guarantor notwithstanding any contrary practice, custom or ruling in proceedings under the Bankruptcy Code generally), the Guarantor agrees not to accept any payment or satisfaction of any kind of any

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indebtedness of the Borrower to the Guarantor, except with respect to the payment of any dividends declared by the Borrower, the payment of which will not cause the Borrower to breach any covenant under the Loan Agreement, and except with respect to any other payment for which the Bank grants its prior written consent. Further, the Guarantor agrees that until such payment in full: (i) no Guarantor shall accept payment from any other guarantor by way of contribution on account of any payment made hereunder by such party to the Bank; (ii) no one of them will take any action to exercise or enforce any rights to such contribution; and (iii) if any individual or entity comprising the Guarantor should receive any payment, satisfaction or security for any indebtedness of the Borrower to any individual or entity comprising the Guarantor or for any contribution by any other individual or entity comprising the Guarantor for payment made hereunder by the recipient to the Bank at any time the Borrower is in default under the Loan Documents, the same shall be delivered to the Bank in the form received, endorsed or assigned as may be appropriate for application on account of, or as security for the indebtedness of the Borrower to the Bank. This provision shall not restrict or impair Guarantor's right to receive dividends declared by the Borrower, which comply with the covenants under the Loan Agreement. Any lien or charge on the Collateral (as defined in the Loan Agreement), all rights therein and thereto, and on the profits, losses, income and distributions to be realized therefrom, which the Guarantor may have or obtain as security for any loans or advances to Borrower shall be, and such Lien or charge hereby is, waived. Guarantor waives any rights Guarantor has under, or any requirements imposed by Chapter 34 of the Texas Business & Commerce Code, as in effect on the date of this Guaranty or as it may be amended from time to time. Guarantor waives any rights of subrogation it may have against the Borrower.

In the event the Borrower is a corporation, joint stock association or partnership, or is hereafter incorporated, if the indebtedness at any time hereafter exceeds the amount permitted by law, or the Borrower is not liable because the act of creating the obligation is ultra vires, or the officers or persons creating same acted in excess of their authority, and for these reasons the indebtedness to the Bank which the Guarantor agrees to pay cannot be enforced against the corporation, joint stock association or partnership, such fact shall in no manner affect the Guarantor's liability hereunder; but the Guarantor shall be liable hereunder, notwithstanding any finding that said corporation, joint stock association or partnership is not liable for such indebtedness, and to same extent as the Guarantor would have been if the indebtedness of the Borrower had been enforceable against the Borrower.

THIS GUARANTY AND ALL RIGHTS, OBLIGATIONS AND LIABILITIES ARISING HEREUNDER SHALL BE CONSTRUED ACCORDING TO THE LAWS OF THE STATE OF TEXAS AND THE UNITED STATES OF AMERICA.

THIS GUARANTY SHALL BE PERFORMABLE FOR ALL PURPOSES IN DALLAS COUNTY, TEXAS. COURTS WITHIN THE STATE OF TEXAS SHALL HAVE JURISDICTION OVER ANY AND ALL DISPUTES BETWEEN GUARANTOR AND BANK, WHETHER IN LAW OR EQUITY, INCLUDING, BUT NOT LIMITED TO, ANY AND ALL DISPUTES ARISING OUT OF OR RELATING TO THIS GUARANTY OR ANY OTHER LOAN DOCUMENT; AND VENUE IN ANY SUCH DISPUTE WHETHER IN FEDERAL OR STATE COURT SHALL BE LAID IN DALLAS COUNTY, TEXAS. GUARANTOR HEREBY CONSENTS TO PERSONAL JURISDICTION IN DALLAS COUNTY, TEXAS AND WAIVES ANY RIGHTS HE OR SHE MAY HAVE TO BE SUED ELSEWHERE.

THIS GUARANTY AND THE LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN

THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

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IN WITNESS WHEREOF, this Guaranty has been duly executed by the undersigned, effective as of, although not necessarily on, the 8th day of November, 1996.

Address of Guarantor:

6836 Austin Center Blvd.
Suite 280
Austin, Texas 78731

HEMOCAPITAL INVESTMENT CORPORATION,
a Nevada corporation

By: _____
Name: _____
Title: _____

STATE OF TEXAS (S)
(S)
COUNTY OF TRAVIS (S)

This instrument was ACKNOWLEDGED before me the ____ day of November, 1996, by _____, _____ of HEMOCAPITAL INVESTMENT CORPORATION, a Nevada corporation, on behalf of said corporation.

Notary Public - State of Texas

My Commission expires:

Printed Name of Notary

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EXHIBIT "C"

ADVANCE REQUEST

From: HomeOwners Mortgage & Equity, Inc.,
d/b/a Home, Inc.
6836 Austin Center Blvd., Suite 280
Austin, Texas 78731
Phone (512) 343-8911
Fax (512) 343-1837

TO: Guaranty Federal Bank, F.S.B. ("Bank")

1. HOMEOWNERS MORTGAGE & EQUITY, INC., a Delaware corporation, d/b/a HOME, INC. ("Borrower") hereby requests an Advance in the amount and on the _____ date specified from the Bank (an "Advance") in the amount and on the date _____ herein specified, pursuant to the Working Capital Line of Credit and Security Agreement [Servicing Secured] among Borrower and the Bank, dated as of November 8, 1996, as amended to date (the "Agreement"), and hereby _____ grants to Bank, in accordance with the provisions of that Agreement, between Borrower and the Bank, as amended to date, a security interest and Lien in each Mortgage Loan described on the attached schedule. Capitalized terms used herein and defined in the Agreement shall be used

herein as so defined.

2. Advances requested:

- (i) Borrower hereby requests an Advance in the principal amount of \$_____.
- (ii) Requested Advance Date: _____, 199__.
- (iii) Borrower hereby grants to the Bank a security interest in the Servicing Rights described on Schedule I attached

hereto.

Requirement of Agreement: Maximum of \$3,000,000.00.

Requirement satisfied _____.

Requirement not satisfied _____.

3. The undersigned officer of Borrower represents and warrants to the Bank:

- (a) Borrower is entitled to receive the requested Advance under the terms and conditions of the Agreement;
- (b) all items which Borrower is required to furnish to the Bank pursuant to the Agreement accompany this Advance Request;
- (c) all Collateral offered hereby conform in all respects with the applicable requirements set forth in the Agreement;
- (d) no Event of Default has occurred and is continuing under the Agreement;
- (e) no change or event which with notice and/or the passage of time would constitute an Event of Default; and
- (f) attached hereto is the Compliance Schedule showing Borrower's

compliance as of the date hereof with the requirements of Article

VII of the Agreement.

4. Borrower represents and warrants that:

- (A) The Collateral Value as defined in the Agreement of all Collateral prior to this Advance is: \$_____
- (B) The outstanding Advances prior to this Advance are: \$_____
- (C) The Collateral Value of all Collateral pledged to Bank after this Advance Request is: \$_____
- (D) The outstanding Advances under the Note after this Advance Request will be: \$_____

4. The representations and warranties of Borrower contained in the Agreement and those contained in each other Loan Document to which Borrower is a party are true and correct in all respects on and as of the date hereof.

HomeOwners Mortgage & Equity, Inc.,
a Delaware corporation, d/b/a Home, Inc.

Date: _____, 199__

By: _____
Tommy M. Parker,
Executive Vice President

STATE OF TEXAS (S)
(S)

This instrument was ACKNOWLEDGED before me the ____ day of _____, 199____, by Tommy M. Parker, Executive Vice President, of HOMEOWNERS MORTGAGE & EQUITY, INC., a Delaware corporation, d/b/a HOME, INC., on behalf of said corporation.

Notary Public - State of Texas

My Commission expires:

Printed Name of Notary

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SCHEDULE I
SERVICING AGREEMENTS

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Compliance Schedule

Financial Covenants -----	Required -----	Actual or ----- [IN COMPLIANCE]* -----
1) Limitation on Indebtedness of Borrower [7.1]:		[YES] or [NO] *
2) No Merger [7.2]:		[YES] or [NO] *
3) Fiscal Year [7.3]:		[YES] or [NO] *
4) Lines of Business [7.4]:		[YES] or [NO] *
5) Liquidations, etc. [7.5]:		[YES] or [NO] *
6) Loans [7.6]:		[YES] or [NO] *
7) Operational Changes [7.7]:		[YES] or [NO] *
8) Compliance with ERISA [7.8]:		[YES] or [NO] *
9) Net Worth [7.9]:	Not less than \$3 million plus 80% Net Income plus 100% Contributions	_____
10) Tangible Net Worth [7.10]:		[YES] or [NO] *
11) Adjusted Tangible Net Worth [7.11]:	Not less than \$3 million plus 80% Net Income plus 100% Contributions	_____
12) Debt to Adjusted Tangible Net Worth [7.12]:	Not more than 3.5 to 1.0	_____
13) Minimum Liquidity [7.13]:	Not less than \$500,000.00	_____
14) Management [7.14]:		[YES] or [NO] *
15) Interested Transactions [7.15]:		[YES] or [NO] *
16) Transfer of Stock [7.16]:		[YES] or [NO] *
17) Subsidiaries [7.17]:		[YES] or [NO] *

18) Sale or pledge of servicing contracts [7.18]: [YES] or [NO] *

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19) Loss of Eligibility [7.19]: [YES] or [NO] *

20) Negative Covenants/ Collateral [7.20]: [YES] or [NO] *

HOMEOWNERS MORTGAGE & EQUITY, INC., a Delaware corporation, d/b/a HOME, INC.

By: Tommy M. Parker, Executive Vice President

[Date]

STATE OF TEXAS (S) COUNTY OF TRAVIS (S)

This instrument was ACKNOWLEDGED before me the ___ day of ___, 199___, by Tommy M. Parker, Executive Vice President of HOMEOWNERS MORTGAGE & EQUITY, INC., a Delaware corporation, d/b/a HOME, INC., on behalf of said corporation.

Notary Public - State of Texas

My Commission expires:

Printed Name of Notary

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EXHIBIT D

- 1. Description of all FNMA Eligible Servicing Contracts
a) Unpaid Principal Balance
b) Pools and related gains on sale
2. Borrowing Base Calculations
A UPB of FNMA Servicing Rights
B Appraised Value as of
C 50% of Appraised Value (.50 x B)
D Book Value as of
E Lesser of C or D
F Current Loan Balance
G Requested Advance
H New Loan Balance

I Excess/(Deficit) after Advance (E-H)

\$

EXHIBIT "E"

Listing of Servicing Contracts

1. Mortgage Selling and Servicing Contract with Federal National Mortgage Association dated March 1, 1996.
2. Lehman FHA Title I Loan Trust 1995-6.
3. Lehman FHA Title I Loan Trust 1996-2.
4. Lehman FHA Title I Loan Trust 1996-3.

EXHIBIT "F"

COMPLIANCE CERTIFICATE

Reference is made to that certain Working Capital Line of Credit and Security Agreement [Servicing Secured] dated as of November 8, 1996 (the "Loan Agreement"), between HomeOwners Mortgage & Equity, Inc., a Delaware corporation, d/b/a Home, Inc. ("Borrower") and Guaranty Federal Bank, F.S.B. Terms which are

defined in the Loan Agreement and which are used but not defined herein shall have the meanings given them in the Loan Agreement. The undersigned, _____ does hereby certify that he/she has made a thorough inquiry into all matters certified herein and, based upon such inquiry, experience, and the advice of counsel, does hereby further certify that:

1. He/she is the duly elected, qualified, and acting officer of Borrower.
2. All representations and warranties made by any Related Person in any Loan Document delivered on or before the date hereof are true on and as of the date hereof (except to the extent that the facts upon which such representations are based have been changed by the transactions contemplated in the Loan Agreement) as if such representations and warranties had been made as of the date hereof.
3. No Event of Default exists on the date hereof and no event has occurred and is continuing which with notice and/or opportunity to cure would become an Event of Default.

4. Each Related Person has performed and complied with all agreements and conditions required in the Loan Documents to be performed or complied with by it on or prior to the date hereof.

5. Attached hereto is the Compliance Schedule showing Borrower's compliance as of the date hereof with the requirements of Article VII of the Loan Agreement and Borrower's non-compliance as of the date hereof with the requirements of Section(s) _____ of the Loan Agreement.

6. No Net Collateral Deficit exists.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of _____, 1996.

Tommy M. Parker, Executive Vice President

STATE OF TEXAS (S)
(S)

This instrument was ACKNOWLEDGED before me the ____ day of _____, 1996, by Tommy M. Parker, in his capacity as Executive Vice President of HOMEOWNERS MORTGAGE & EQUITY, INC., a Delaware corporation, d/b/a HOME, INC., on behalf of said corporation.

Notary Public - State of Texas

My Commission expires: _____

Printed Name of Notary

Compliance Schedule

<TABLE> <CAPTION> Financial Covenants -----	Required -----	Actual or ----- [IN COMPLIANCE] * -----
<S>	<C>	<C>
1) Limitation on Indebtedness of Borrower [7.1]:		[YES] or [NO] *
2) No Merger [7.2]:		[YES] or [NO] *
3) Fiscal Year [7.3]:		[YES] or [NO] *
4) Lines of Business [7.4]:		[YES] or [NO] *
5) Liquidations, etc. [7.5]:		[YES] or [NO] *
6) Loans [7.6]:		[YES] or [NO] *
7) Operational Changes [7.7]:		[YES] or [NO] *
8) Compliance with ERISA [7.8]:		[YES] or [NO] *
9) Net Worth [7.9]:	Not less than \$3 million plus 80% Net Income plus 100% Contributions	_____
10) Tangible Net Worth [7.10]:		[YES] or [NO] *
11) Adjusted Tangible Net Worth [7.11]:	Not less than \$3 million plus 80% Net Income plus 100% Contributions	_____
12) Debt to Adjusted Tangible Net Worth [7.12]:	Not more than 3.5 to 1.0	_____
13) Minimum Liquidity [7.13]:	Not less than \$500,000.00	_____
14) Management [7.14]:		[YES] or [NO] *
15) Interested Transactions [7.15]:		[YES] or [NO] *
16) Transfer of Stock [7.16]:		[YES] or [NO] *
17) Subsidiaries [7.17]:		[YES] or [NO] *
18) Sale or pledge of servicing contracts [7.18]:		[YES] or [NO] *

</TABLE>

<TABLE>
<S> 19) Loss of Eligibility [7.19]: <C> [YES] or [NO] *
20) Negative Covenants/
Collateral [7.20]: [YES] or [NO] *
</TABLE>

HOMEOWNERS MORTGAGE & EQUITY, INC.,
a Delaware corporation, d/b/a HOME, INC.

By: _____
Tommy M. Parker,
Executive Vice President

[Date]

STATE OF TEXAS (S)
(S)
COUNTY OF TRAVIS (S)

This instrument was ACKNOWLEDGED before me the ____ day of _____,
199__, by Tommy M. Parker, Executive Vice President of HOMEOWNERS MORTGAGE &
EQUITY, INC., a Delaware corporation, d/b/a HOME, INC., on behalf of said
corporation.

Notary Public - State of Texas

My Commission expires:

Printed Name of Notary

EXHIBIT "G"

Subsidiaries

HomeOwners Mortgage & Equity, Inc., has no subsidiaries.

EXHIBIT "H"

(FORM OF LEGAL OPINION BY COUNSEL TO COMPANY)
on Attorney's Letterhead

[Date]

Guaranty Federal Bank, F.S.B.
8333 Douglas Avenue
10th Floor
Dallas, Texas 75225

RE: Working Capital Line of Credit and Security Agreement [Servicing Secured]
dated November 8, 1996 (the "Agreement") by and between Guaranty Federal Bank,

F.S.B. (the "Bank") and _____ (the "Company").

Ladies and Gentlemen:

We have acted as counsel to the Company in connection with the preparation, execution and delivery of the above referenced Agreement. This Opinion Letter is provided to you at the request of the Company pursuant to Section 4.1(a)(4) of

the Agreement. Except as otherwise provided herein, capitalized terms used in the Opinion Letter are defined as set forth in the Agreement or the Accord (see below).

This Opinion Letter is governed by, and shall be interpreted in accordance with, the Legal Opinion Accord (the "Accord") of the ABA Section of Business Law

(1991). As a consequence, it is subject to a number of qualifications exceptions, definitions, limitations on coverage and other limitations, all as more particularly described in the Accord, and this Opinion Letter should be read in conjunction therewith. The law covered by the opinions expressed herein is limited to the Federal Law of the United States and the Law of the State of Florida.

Based upon and subject to the foregoing, we are of the opinion that:

1. The Agreement is enforceable against the Company.
2. Execution and delivery by the Company of, and performance of its agreements in, the Agreement do not (i) violate the Constituent Documents, or (ii) breach, or result in a default under, any existing obligation of the Company under an Other Agreement, or (iii) breach or otherwise violate any existing obligation of the Company under a Court Order.
3. Execution and delivery by the Company of, and performance by the Company of its agreements in, the Agreement do not violate applicable provisions of statutory law or regulation.
4. The filing of an executed UCC Financing Statement in Texas, will give the Bank a perfected first lien security interest in the Collateral.
5. The transactions contemplated by the Agreement do not require the payment of any intangible taxes or documentary stamp taxes by Company or Bank in the State of Texas.

The General Qualifications apply to the No Violation of Law Opinion set forth in paragraph (3) above as well as to the Remedies Opinion set forth in paragraph one (1) above.

We hereby confirm to you, pursuant to the request set forth in Section 5.5 of

the Agreement, that there are no actions or proceedings against the Company pending or overtly threatened in writing, before any court, governmental agency or arbitrator which (i) seek to affect the enforceability of the Agreement, or (ii) come within the objective standards established in the Agreement for disclosure of such matters.

A copy of this Opinion Letter may be delivered by you to syndicate participants, potential and actual, in connection with any sale, or potential sale, of participation interests in the warehousing line of credit established by the Agreement. Additionally, a copy of this Opinion Letter may be delivered by you to any state or federal regulatory entity in connection with your continued compliance of state and federal regulations or any such regulatory examination. Such syndicate participants and regulatory entities may rely on this Opinion Letter as if it were addressed and had been delivered to them on the date hereof. Subject to the foregoing, this Opinion Letter may be relied upon by you only in connection with the Transaction any may not be used or relied upon by you or any other person for any purpose whatsoever, except to the extent authorized in the Accord, without in each instance our prior written consent.

Very truly yours,

EXHIBIT "I"

CERTIFICATE ACCOMPANYING

FINANCIAL STATEMENTS

Reference is made to that certain Working Capital Line of Credit and Security Agreement dated as of _____, 1996 (as from time to time amended, the "Agreement"), by and between HOMEOWNERS MORTGAGE & EQUITY, INC., a

Delaware corporation, d/b/a HOME, INC. ("Borrower"), GUARANTY FEDERAL BANK,

F.S.B. ("Bank"), which Agreement is in full force and effect on the date hereof.

Terms which are defined in the Agreement are used herein with the meanings given them in the Agreement.

This Certificate is furnished pursuant to Sections 4.1(a)(7) or (8) or 6.2 of the Agreement. Together herewith Borrower is furnishing to Bank Borrower's audited annual financial statements or monthly financial statement (the "Financial Statements") dated _____ (the "Reporting Date"). Borrower

hereby represents, warrants, and acknowledges to Bank that:

- (a) the officer of Borrower signing this instrument is the duly elected, qualified and acting _____ of Borrower and as such is Borrower's chief financial officer;
- (b) the Financial Statements are accurate and complete and satisfy the requirements of the Agreement;
- (c) attached hereto is the Compliance Schedule showing Borrower's compliance as of the Reporting Date with the requirements of Article VII of the Agreement and Borrower's non-compliance as of such date with the requirements of Section(s) _____ of the Agreement;
- (d) on the Reporting Date Borrower was, and on the date hereof Borrower is, in full compliance with the disclosure requirements of Section 6.6 of the Agreement, and no Default otherwise existed on the Reporting Date or otherwise exists on the date of this instrument [except for Default(s) under Section(s) _____ of the Agreement, which are more fully described on a schedule attached hereto].

The officer of Borrower signing this instrument hereby certifies that he has reviewed the Loan Documents and the Financial Statements and has otherwise undertaken such inquiry as is in his opinion necessary to enable him to express an informed opinion with respect to the above representations, warranties and acknowledgments of Borrower and, to the best of his knowledge, such representations, warranties, and acknowledgments are true, correct and complete.

IN WITNESS WHEREOF, this instrument is executed as of _____, 19____.

HOMEOWNERS MORTGAGE & EQUITY, INC.,
a Delaware corporation, d/b/a HOME, INC.

By: _____
Tommy M. Parker,
Executive Vice President

STATE OF TEXAS (S)
(S)
COUNTY OF TRAVIS (S)

This instrument was ACKNOWLEDGED before me the ____ day of _____,
199__, by John Ballard, President of HOMEOWNERS MORTGAGE & EQUITY, INC., a
Delaware corporation, d/b/a HOME, INC., on behalf of said corporation.

Notary Public - State of Texas

My Commission expires:

Printed Name of Notary

Compliance Schedule

<TABLE> <CAPTION> Financial Covenants -----	Required -----	Actual or ----- [IN COMPLIANCE] *
-----	-----	-----
<S>	<C>	<C>
1) Limitation on Indebtedness of Borrower [7.1]:		[YES] or [NO] *
2) No Merger [7.2]:		[YES] or [NO] *
3) Fiscal Year [7.3]:		[YES] or [NO] *
4) Lines of Business [7.4]:		[YES] or [NO] *
5) Liquidations, etc. [7.5]:		[YES] or [NO] *
6) Loans [7.6]:		[YES] or [NO] *
7) Operational Changes [7.7]:		[YES] or [NO] *
8) Compliance with ERISA [7.8]:		[YES] or [NO] *
9) Net Worth [7.9]:	Not less than \$3 million plus 80% Net Income plus 100% Contributions	_____
10) Tangible Net Worth [7.10]:		[YES] or [NO] *
11) Adjusted Tangible Net Worth [7.11]:	Not less than \$3 million plus 80% Net Income plus 100% Contributions	_____
12) Debt to Adjusted Tangible Net Worth [7.12]:	Not more than 3.5 to 1.0	_____
13) Minimum Liquidity [7.13]:	Not less than \$500,000.00	_____
14) Management [7.14]:		[YES] or [NO] *
15) Interested Transactions [7.15]:		[YES] or [NO] *
16) Transfer of Stock [7.16]:		[YES] or [NO] *
17) Subsidiaries [7.17]:		[YES] or [NO] *
18) Sale or pledge of servicing contracts [7.18]:		[YES] or [NO] *

</TABLE>

<TABLE>

<S>

19) Loss of Eligibility [7.19]:

<C>

[YES] or [NO] *

20) Negative Covenants/
Collateral [7.20]:

[YES] or [NO] *

</TABLE>

HOMEOWNERS MORTGAGE & EQUITY, INC.,
a Delaware corporation, d/b/a HOME, INC.

By: _____
Tommy M. Parker,
Executive Vice President

[Date]

STATE OF TEXAS (S)

(S)

COUNTY OF TRAVIS (S)

This instrument was ACKNOWLEDGED before me the ____ day of _____,
199__, by John Ballard, President of HOMEOWNERS MORTGAGE & EQUITY, INC., a
Delaware corporation, d/b/a HOME, INC., on behalf of said corporation.

Notary Public - State of Texas

My Commission expires:

Printed Name of Notary

EXHIBIT "J"

PURCHASER'S ACKNOWLEDGMENT AGREEMENT

HomeOwners Mortgage & Equity, Inc., a Delaware corporation, d/b/a Home, Inc.
("Seller") has contracted to sell servicing rights to service certain

residential mortgages to _____ ("Purchaser")

pursuant to that certain Purchase and Sale Agreement, dated
_____ (the "Sales Contract"). Seller has pledged its

right to receive any and all payments from Purchaser in connection with such
sale to Guaranty Federal Bank, F.S.B. ("GFB"). Seller hereby directs Purchaser

to make and Purchaser hereby agrees to make all payments owed under or in
connection with the Sales Contract to GFB by wire transfer under the terms of
the Sales Contract and send all such payments to GFB as follows:

by wire transfer, to:

Guaranty Federal Bank, F.S.B.
8333 Douglas Avenue
Dallas, Texas 75225
Attention: Karen Cosby
Account No.: 3940000973
ABA No.: 314-970-664

Upon payment in full of the Redemption Amount _____ GFB shall
execute appropriate documents providing for the release of GFB's liens and

security interests in and to such servicing rights, such releases in form and content acceptable to GFB in its sole discretion.

This letter shall remain in full force and effect and may not be rescinded.

HomeOwners Mortgage & Equity, Inc.,
a Delaware corporation, d/b/a Home, Inc.

By: _____
Tommy M. Parker,
Executive Vice President

Agreed And Accepted As Of the ____
Day of _____, 199__:

Firm: _____

By: _____
Name: _____
Title: _____

EXHIBIT "K"

Indebtedness

SEPTEMBER 30, 1996

Following is a list of Indebtedness, as of September 30, 1996:

<TABLE>
<CAPTION>

Description -----	Amount -----
<S>	<C>
Revolving notes payable to financial institutions	\$ 4,064,180
Accrued expenses and other liabilities	2,393,497
Capital lease obligations	14,352

	\$ 6,472,029
	=====

</TABLE>

EXHIBIT "L"

Subservicing Contracts

Attached hereto is a copy of the Home Improvement Loan Program Sub-Servicing Agreement dated May 31, 1995, between the Borrower and Compu-Link Service, Inc.

UNCONDITIONAL GUARANTY

WHEREAS, HOMEOWNERS MORTGAGE & EQUITY, INC., a Delaware corporation, d/b/a HOME, INC. (hereinafter called the "Borrower"), desire to borrow from GUARANTY

FEDERAL BANK, F.S.B. the "Bank"), the principal sum of THREE MILLION AND NO/100

DOLLARS (\$3,000,000.00) (collectively, the "Loan"); and

WHEREAS, said borrowings are to be made by the Borrower pursuant to and under the terms of that Working Capital Line of Credit and Security Agreement [Servicing Secured] dated of even date herewith, between the Borrower and the Bank together with all amendments thereof (hereinafter called the "Loan

Agreement") and all promissory notes executed by Borrower in connection

therewith; and

WHEREAS, the undersigned desires the Bank to enter into the Loan Agreement and to make the aforesaid Loan, and the Bank requires, as a condition thereof, that a guaranty in the form hereof be executed and delivered by the undersigned;

NOW, THEREFORE, in consideration of the premises and to induce the Bank to enter into the Loan Agreement and to make the Loan contemplated thereby and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the undersigned, HOMECAPITAL INVESTMENT CORPORATION, a Nevada corporation (hereinafter called the "Guarantor"), hereby unconditionally

guarantees to the Bank and to every subsequent holder or holders of any promissory note or notes evidencing the Loan (said promissory note or notes together with any note or notes renewing the same or any part thereof being hereinafter collectively called the "Note") that (i) the principal of and

interest on, and attorneys' fees provided in, the Note will be promptly paid when due in accordance with the provisions thereof or, in the case of extension of time of payment in whole or in part of the Note, all sums will be promptly paid when due in accordance with the terms of the extension; (ii) all covenants and agreements of the Borrower contained in the Note, the Loan Agreement and/or any other instrument evidencing, securing or governing the disbursement of the Loan, whether presently existing or hereinafter entered into, will be duly and promptly observed and performed; and (iii) all additional amounts owing or which hereafter become owing by the Borrower under the terms of the Note, the Loan Agreement and/or any other instrument evidencing, securing or governing the

disbursement of the Loan, whether presently existing or hereinafter entered into, will be promptly paid when due. This Guaranty directly and substantially benefits Guarantor.

The obligations of the Guarantor shall be performable without demand of the Bank and shall be unconditional irrespective of the genuineness, validity, regularity or enforceability of the Loan Agreement or the Note, or any other circumstance which might otherwise constitute a legal or equitable discharge of a surety or a guarantor; and the Guarantor hereby waives diligence, presentment, demand of payment, protest, all notices (whether of nonpayment, acceleration, dishonor, protest or otherwise) with respect to the Note, notice of acceptance of this Guaranty and of the incurring by the Borrower of any of the obligations hereinbefore mentioned, all demands whatsoever, and all rights to require the Bank, to (a) proceed against the Borrower, (b) proceed against or exhaust any collateral held by the Bank to secure the payment of the indebtedness guaranteed hereby, or (c) pursue any other remedy the Bank may now or hereafter have against the Borrower.

The Guarantor hereby agrees that, at any time or from time to time, without notice to the Guarantor:

(1) The time for payment of the principal of or interest on the Note evidencing the Loan may be extended or the Note may be renewed in whole or in part;

(2) The time for the Borrower's performance of or compliance with any covenant or agreement contained in the Loan Agreement, the Note and/or any other instrument evidencing, securing or governing the disbursement of the Loan, whether presently existing or hereinafter entered into, may be extended or such performance or compliance may be waived;

(3) The maturity of the Note may be accelerated as provided therein or in the Loan Agreement and/or any other instrument evidencing, securing or governing the disbursement of the Loan, whether presently existing or hereinafter entered into;

(4) The Loan Agreement, the Note and/or any other instrument evidencing, securing or governing the disbursement of the Loan, whether presently existing or hereinafter entered into, may be modified or amended by the Bank and the Borrower in any respect, including, but not limited to, an increase in the principal amount; and

(5) Any security for the Loan may be modified, exchanged, surrendered or otherwise dealt with and/or additional security may be pledged or mortgaged for the Loan;

all without affecting the liability of the Guarantor.

The Guarantor hereby acknowledges that the withdrawal from, or termination of, any ownership interest in Borrower shall not alter, affect or in any way

limit the obligations of Guarantor hereunder.

If this Guaranty shall be placed in the hands of an attorney for collection or should it be collected by legal proceedings or through any probate or bankruptcy court, the Guarantor agrees to pay to the Bank's reasonable attorneys' or collection fees.

The Bank may assign its rights hereunder in whole or in part; and upon any such assignment, all the terms and provisions of this Guaranty shall inure to the benefit of such assignee to the extent so assigned. The terms used to designate any of the parties herein shall be deemed to include the heirs, legal representatives, successors and assigns of such parties; and the term "Bank" shall include, in addition to the Bank, any lawful owner, holder or pledgee of any indebtedness guaranteed hereby.

The Bank is relying and is entitled to rely upon each and all of the provisions of this Guaranty; and accordingly, if any provision or provisions of this instrument should be held to be invalid or ineffective, then all other provisions shall continue in full force and effect.

The Guarantor acknowledges that the Loan represents money which will be advanced to the Borrower in a series of advances to be made from time to time pursuant to the Loan Agreement. To induce the Bank to make the advances thereunder, the Guarantor hereby agrees that in the event of the termination, liquidation or dissolution of the Borrower, this Guaranty shall continue in full force and effect.

The Guarantor hereby represents and warrants to the Bank that the financial statements and information regarding the Guarantor heretofore delivered to the Bank are true and correct in all material respects, having been applied on a consistent basis throughout the period covered thereby, and fairly present the financial position of the Guarantor as of the dates thereof, and that no material adverse change has occurred in the financial condition of the Guarantor reflected therein since the date thereof.

The Guarantor hereby represents and warrants to the Bank that:

(a) Neither the execution and delivery of this Guaranty, nor the consummation of any of the transactions herein or therein contemplated, nor compliance with the terms and provisions hereof or with the terms and provisions thereof, will materially contravene or conflict with any provision of law, statute or regulation to

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which Guarantor is subject or any judgment, license, order or permit applicable to Guarantor, or any indenture, mortgage, deed of trust or other agreement or instrument to which Guarantor is a party or by which Guarantor may be bound, or to which Guarantor may be subject.

(b) Guarantor is not in default (and no event exists which with notice or the passage of time could become a default) under any loan agreement, mortgage, security agreement or other material agreement or obligation to which it is a party or by which any of its properties is bound including but not limited to the Loan Documents.

(c) There are no actions, suits or legal, equitable, arbitration or administrative proceedings pending, or to the knowledge of Guarantor, threatened against Guarantor.

(d) All tax returns required to be filed by the Guarantor in any jurisdiction have been filed or extended and all taxes, assessments, fees and other governmental charges upon Guarantor or upon any of its properties, income or franchises have been paid prior to the time that such taxes could give rise to a lien thereon, unless protested in good faith by appropriate proceedings and with respect to which reserves in conformity with GAAP have been established on the books of Guarantor. The Guarantor has no knowledge of any proposed tax assessment against Guarantor.

(e) Guarantor shall permit any authorized officer, employee or agent of the Bank, to visit and inspect any of the business properties of the Guarantor, examine Guarantor's books of record and accounts, take copies and extracts therefrom, and inspect and discuss the procedures, finances and accounts of Guarantor with Guarantor's accountants and auditors, all at such reasonable times and as often as Bank may desire. Guarantor shall furnish such reports as Bank may reasonably request.

Notwithstanding any provision in this Guaranty to the contrary, Guarantor hereby waives and releases (i) any and all rights of subrogation, reimbursement, indemnification or contribution which it may have, against others liable on all or any part of the Loan, (ii) any and all rights to be subrogated the rights of the Bank in any collateral or security for all or any part of the Loan, and (iii) any and all other rights and claims of such Guarantor against Borrower or any third party as a result of such Guarantor's payment of all or any part of the Loan.

Capitalized terms not defined herein are used as defined in the Loan Agreement.

The obligations of the Guarantor and any other guarantor of the Note evidencing the Loan shall be joint and several. The Guarantor agrees that the Bank, in its sole discretion, may (i) bring suit against the Guarantor and any other guarantor of the Note evidencing the Loan jointly and severally or against any one or more of them, (ii) compound or settle with any one or more of the guarantors of the Note evidencing the Loan for such consideration as the Bank may deem proper, (iii) release one or more of the guarantors of the Note evidencing the Loan from liability thereunder, and (iv) otherwise deal with the Guarantor and any other guarantors of the Note, or any one or more of them, in any manner whatsoever; and that no such action shall impair the rights of the Bank to collect the indebtedness hereby guaranteed from the Guarantor. Nothing contained in this paragraph shall in any way affect or impair the rights or

obligations of the Guarantor with respect to any other guarantor of the Note evidencing the Loan.

Any indebtedness of the Borrower to the Guarantor now or hereafter existing (including, but not limited to, any rights to subrogation the Guarantor may have as a result of any payment by the Guarantor under this Guaranty), together with any interest thereon, shall be, and such indebtedness is hereby subordinated until payment in full of the indebtedness of the Borrower to the Bank under the Loan Documents and all other obligations hereunder. Until payment in full with interest of the indebtedness of the Borrower to the Bank (and including interest accruing on the Note after any petition under the Bankruptcy Reform Act of 1978, as amended (the "Bankruptcy Code"), which post-petition interest the parties agree shall remain a claim that is prior and superior to any claim of the Guarantor notwithstanding any contrary practice, custom or ruling in proceedings under the Bankruptcy Code generally), the Guarantor agrees not to accept any payment or satisfaction of any kind of any

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indebtedness of the Borrower to the Guarantor, except with respect to the payment of any dividends declared by the Borrower, the payment of which will not cause the Borrower to breach any covenant under the Loan Agreement, and except with respect to any other payment for which the Bank grants its prior written consent. Further, the Guarantor agrees that until such payment in full: (i) no Guarantor shall accept payment from any other guarantor by way of contribution on account of any payment made hereunder by such party to the Bank; (ii) no one of them will take any action to exercise or enforce any rights to such contribution; and (iii) if any individual or entity comprising the Guarantor should receive any payment, satisfaction or security for any indebtedness of the Borrower to any individual or entity comprising the Guarantor or for any contribution by any other individual or entity comprising the Guarantor for payment made hereunder by the recipient to the Bank at any time the Borrower is in default under the Loan Documents, the same shall be delivered to the Bank in the form received, endorsed or assigned as may be appropriate for application on account of, or as security for the indebtedness of the Borrower to the Bank. This provision shall not restrict or impair Guarantor's right to receive dividends declared by the Borrower, which comply with the covenants under the Loan Agreement. Any lien or charge on the Collateral (as defined in the Loan Agreement), all rights therein and thereto, and on the profits, losses, income and distributions to be realized therefrom, which the Guarantor may have or obtain as security for any loans or advances to Borrower shall be, and such Lien or charge hereby is, waived. Guarantor waives any rights Guarantor has under, or any requirements imposed by Chapter 34 of the Texas Business & Commerce Code, as in effect on the date of this Guaranty or as it may be amended from time to time. Guarantor waives any rights of subrogation it may have against the Borrower.

In the event the Borrower is a corporation, joint stock association or partnership, or is hereafter incorporated, if the indebtedness at any time hereafter exceeds the amount permitted by law, or the Borrower is not liable

because the act of creating the obligation is ultra vires, or the officers or persons creating same acted in excess of their authority, and for these reasons the indebtedness to the Bank which the Guarantor agrees to pay cannot be enforced against the corporation, joint stock association or partnership, such fact shall in no manner affect the Guarantor's liability hereunder; but the Guarantor shall be liable hereunder, notwithstanding any finding that said corporation, joint stock association or partnership is not liable for such indebtedness, and to same extent as the Guarantor would have been if the indebtedness of the Borrower had been enforceable against the Borrower.

THIS GUARANTY AND ALL RIGHTS, OBLIGATIONS AND LIABILITIES ARISING HEREUNDER SHALL BE CONSTRUED ACCORDING TO THE LAWS OF THE STATE OF TEXAS AND THE UNITED STATES OF AMERICA.

THIS GUARANTY SHALL BE PERFORMABLE FOR ALL PURPOSES IN DALLAS COUNTY, TEXAS. COURTS WITHIN THE STATE OF TEXAS SHALL HAVE JURISDICTION OVER ANY AND ALL DISPUTES BETWEEN GUARANTOR AND BANK, WHETHER IN LAW OR EQUITY, INCLUDING, BUT NOT LIMITED TO, ANY AND ALL DISPUTES ARISING OUT OF OR RELATING TO THIS GUARANTY OR ANY OTHER LOAN DOCUMENT; AND VENUE IN ANY SUCH DISPUTE WHETHER IN FEDERAL OR STATE COURT SHALL BE LAID IN DALLAS COUNTY, TEXAS. GUARANTOR HEREBY CONSENTS TO PERSONAL JURISDICTION IN DALLAS COUNTY, TEXAS AND WAIVES ANY RIGHTS HE OR SHE MAY HAVE TO BE SUED ELSEWHERE.

THIS GUARANTY AND THE LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

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IN WITNESS WHEREOF, this Guaranty has been duly executed by the undersigned, effective as of, although not necessarily on, the 8th day of November, 1996.

Address of Guarantor:

6836 Austin Center Blvd.
Suite 280
Austin, Texas 78731

HEMOCAPITAL INVESTMENT CORPORATION,
a Nevada corporation

By: /s/ Tommy M. Parker

Name: Tommy M. Parker

Title: Treasurer

STATE OF TEXAS
COUNTY OF TRAVIS

(S)
(S)
(S)

This instrument was ACKNOWLEDGED before me the 8 day of November, 1996,

by Tommy M. Parker Treasurer of HOMECAPITAL INVESTMENT CORPORATION, a Nevada
-----, -----
corporation, on behalf of said corporation.

/s/ Glenda Houchin

Notary Public - State of Texas

My Commission expires:
1-20-98

Glenda Houchin

Printed Name of Notary

(Notary Public Seal Appears Here)

HOMECAPITAL INVESTMENT CORPORATION

SUBSCRIPTION AGREEMENT
FOR SHARES OF PREFERRED STOCK

This Subscription Agreement ("Agreement") is made by and between HomeCapital Investment Corporation, a Nevada corporation ("Company"), and the undersigned purchaser ("Purchaser") of shares of the \$.01 par value Preferred Stock Series A, of the Company ("Preferred Stock").

NOW THEREFORE, IT IS AGREED AS FOLLOWS:

1. SUBSCRIPTION. The Purchaser hereby offers and agrees to purchase _____ shares of Preferred Stock of the Company ("Shares") in accordance with the terms and conditions set forth in the Private Placement Memorandum, dated May 3, 1996 ("Private Placement Memorandum"), provided by the Company to Purchaser and accompanying this Agreement ("Subscription"). Purchaser hereby tenders to the Company (i) two (2) executed counterparts of this Agreement, (ii) a bank check payable to the order of the Company in the amount of \$_____ representing the purchase price for the Shares ("Subscription Funds") at \$1.50 per Share for all Shares hereby subscribed for and (iii) two (2) executed counterparts of the Registration Agreement accompanying the Private Placement Memorandum (collectively, the "Subscription Documents").

2. ACCEPTANCE OF SUBSCRIPTION. Investor understands and agrees that this Subscription is made subject to the following terms and conditions:

(a) The Company shall have the right to reject this Subscription, in whole or in part in its sole discretion, with or without reason;

(b) This Agreement shall be deemed to be accepted by the Company only when it is signed by the Company;

(c) The Company shall have no obligation to accept subscriptions for shares of Preferred Stock in the order received; and

(d) The offering of shares of Preferred Stock pursuant to the Private Placement Memorandum ("Offering") may be terminated or extended by the Company as described in the Private Placement Memorandum.

The Initial Subscription Funds tendered herewith shall be held by the Company for the benefit of Purchaser together with subscription funds tendered by other persons who submit Subscription Agreements for shares of Preferred Stock, in an interest-bearing account of the Company at Frost National Bank, Austin, Texas, or such other bank as the Company shall designate. The Company

shall promptly return to Purchaser in full the amount of the Subscription Funds without deduction, together with any interest or earnings thereon, if this

Subscription is rejected or if the Company does not accept the Subscription of Purchaser prior to expiration of the Offering, whereupon this Agreement and the Registration Agreement executed by Purchaser shall be rendered null and void and of no further force and effect.

3. REPRESENTATIONS. The Purchaser represents and warrants to the Company as follows:

(a) Purchaser is a bona fide resident of the state set forth opposite the name of Purchaser on the signature page hereof and that: (i) if a corporation, partnership, trust or other form of business organization, it has its principal office within such state; (ii) if an individual, the principal residence of Purchaser is in such state; and (iii) if a corporation, partnership, trust or other form of business organization which was organized for the specific purpose of acquiring the Shares in the Company, all of its beneficial owners are residents of such state;

(b) Purchaser has full power and authority to act with respect to the investment in Shares in the Company, including the full power and authority, without more, to act in any manner with respect to any community property interest of a spouse;

(c) Purchaser has received the Private Placement Memorandum and Reports defined and described therein, has carefully read such Private Placement Memorandum its appendices and such other Reports (collectively, "Disclosure Documents"), and has relied only on the information contained therein;

(d) Purchaser understands that Purchaser is purchasing the Company's Shares without being furnished any offering materials other than the Disclosure Documents and that the offer and purchase of Shares and the Private Placement Memorandum have not been reviewed or approved by the Securities & Exchange Commission ("SEC") or securities regulatory authority of any other jurisdiction;

(e) Purchaser understands that the Shares and shares of common stock of the Company into which the Shares are convertible ("conversion common stock") have not been registered under the Securities Act of 1933, as amended ("Securities Act"), nor any state securities law ("State Law"), and Purchaser has no right to require registration thereof under the Securities Act or any State Law, except pursuant to the Registration Agreement;

(f) Purchaser understands that the Shares and conversion common stock are being purchased for the account of Purchaser for investment, not for the interest of any other person, and not with the intention of or for distribution or resale to others;

(g) Purchaser has, alone or together with a Purchaser Representative (identified in the Offeree Suitability Questionnaire heretofore submitted to the

Company), if any, such knowledge and experience in financial and business matters that Purchaser is capable of evaluating the merits and risks of the investment in the Shares.

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(h) Purchaser is able to bear the economic risk of the investment;

(i) (i) Purchaser is an "accredited investor" as defined in Regulation D, Rule 501(a) (17 C.F.R.230.501(a)) and as summarized in the Private Placement Memorandum; or

(ii) Purchaser is, in relation to the total investments and net worth of Purchaser, making only a reasonable, suitable commitment to the Company which does not, in any event, exceed twenty percent (20%) of the net worth of Purchaser; or

(iii) The investment of Purchaser in the Shares hereby subscribed for does not exceed ten percent (10%) of the net worth of Purchaser;

(j) Purchaser is making the investment in the Shares without the intention, expectation or desire for a resale or distribution with respect thereto;

(k) Purchaser has no need for liquidity with respect to the investment in the Shares;

(l) Purchaser recognizes that an investment in the Preferred Stock involves special risks, including those set forth under the Section entitled "Special Considerations" in the Private Placement Memorandum;

(m) Purchaser realizes that, since the Shares and conversion common stock cannot be readily sold and the Shares have no public market, the Purchaser may not be able to sell or dispose of the Shares or conversion common stock and, therefore, that Purchaser must not purchase the Shares, unless Purchaser has liquid assets sufficient to assure that such purchase will cause Purchaser no undue financial difficulties;

(n) Purchaser understands that the right to transfer the Shares and conversion common stock will be restricted as set forth in this Agreement, in the Private Placement Memorandum and the Registration Agreement, including a restriction against transfers, unless Purchaser submits to the Company an opinion of an attorney stating that the proposed transfer is registered or exempt from registration pursuant to the Securities Act and all relevant State Laws;

(o) Purchaser has duly completed, executed and delivered to the Company an Offeree Suitability Questionnaire in the form attached to the Private Placement Memorandum, Purchaser understands that all information which Purchaser has provided to the Company concerning Purchaser, the financial position, and the

knowledge of financial and business matters is correct and complete as of the date set forth herein and, if there should be any material change in such information prior to delivery of this Agreement by Purchaser, that Purchaser has provided the Company with such information; and

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(p) The Purchaser Representative, if any, employed by Purchaser (i) is not an officer, director, employee, affiliate or beneficial owner of ten percent (10%) or more of any class of equity securities of the Company, (unless the Purchaser is related to the Purchaser Representative by blood, marriage or adoption), (ii) has disclosed to Purchaser all material relationship between the Purchaser Representative and the Company, directly or through any affiliates during the last two (2) years and as presently contemplated, and (iii) does not represent the Company and is not compensated by the Company, directly or through any affiliate.

4. BINDING EFFECT AND IRREVOCABILITY. It is understood that this Subscription Agreement is not binding on the Company unless and until it is accepted by the Company as evidenced by the counter-execution below. The Purchaser agrees that this Subscription Agreement shall be irrevocable until termination or expiration of the Offering as described in the Private Placement Memorandum.

5. INDEMNIFICATION. Purchaser acknowledges that Purchaser understands the meaning and legal consequences of the representations and warranties in paragraph 4 hereof, and Purchaser hereby agrees to indemnify and hold harmless the Company and the officers, employees and agents of the Company from and against any and all claims, expenses, including attorney's fees, loss, damage or actions resulting from any misrepresentations or a breach of any warranty with respect to the representations and warranties contained in paragraph 4 hereof. In such event, Purchaser understands that the Company has a right to rescind the sale to Purchaser of Shares in the Company.

6. SECURITIES LAW COMPLIANCE. Purchaser understands and agrees that the following restrictions and limitations are applicable to the purchase and any resales, pledges, hypothecations or other transfers of the Shares:

(a) Purchaser agrees that the Shares shall not be sold, pledged, hypothecated or otherwise transferred except in accordance with the Registration Agreement and unless the Shares are registered under the Act and applicable State Laws or exempt therefrom.

(b) A legend has been or will be placed on any certificate(s) or other document(s) evidencing the Shares in substantially the following form:

THE SECURITIES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT") OR APPLICABLE STATE SECURITIES LAWS, AND NO INTEREST THEREIN MAY BE SOLD, DISTRIBUTED, ASSIGNED, OFFERED, PLEDGED OR OTHERWISE TRANSFERRED UNLESS (I) THERE IS AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT AND APPLICABLE STATE

SECURITIES LAWS COVERING ANY SUCH TRANSACTION INVOLVING SUCH SECURITIES,
(II) THIS CORPORATION RECEIVES AN OPINION OF LEGAL COUNSEL FOR THE HOLDER
OF THE SECURITIES REASONABLY

SATISFACTORY TO THIS CORPORATION STATING THAT SUCH TRANSACTION IS EXEMPT
FROM REGISTRATION, OR (III) THIS CORPORATION OTHERWISE SATISFIES ITSELF
THAT SUCH TRANSACTION IS EXEMPT FROM REGISTRATION.

(c) During the term of the Registration Agreement, the legend described in
subparagraph (b) will be placed on any new certificate(s) issued upon
presentation by the Purchaser of certificate(s) for transfer to the extent that a
transfer is permitted by the Company.

7. SURVIVAL. The foregoing representations and warranties and undertakings
are made with the intent that they may be relied upon in determining my
suitability to purchase the Shares, and Purchaser hereby agrees that such
representations and warranties shall survive the purchase of the Shares.
Purchaser hereby acknowledges and agrees that Purchaser is not entitled to
cancel, terminate or revoke this Agreement or any agreements hereunder, unless
the Offering has expired or terminated in accordance with the Private Placement
Memorandum, and that this Agreement shall survive the death, disability or
dissolution of Purchaser, provided, however, that if the Company shall reject
this Subscription, this Agreement and all agreements of the Purchaser hereunder
shall automatically be cancelled, terminated and revoked.

8. NOTICES. All notices or other communications given or made hereunder shall
be in writing and shall be delivered or mailed by Registered or Certified Mail,
return receipt requested, postage prepaid, to the Purchaser or to the Company,
as the case may be, at their respective addresses set forth below.

9. GOVERNING LAW. This Agreement shall be governed by and construed in
accordance with the laws of the State of Texas, excluding any conflict of laws
principles that would otherwise apply the law of any other jurisdiction.

IN WITNESS WHEREOF, Purchaser has executed this Agreement as of the
_____ day of _____, 1996.

Signature of Subscriber

Signature of Subscriber's Spouse
(If Applicable)

Name (Typed or Printed)

Name (Typed or Printed) of
Subscriber's Spouse

Social Security Number or Federal
Identification Number

Social Security Number of Employer
Subscriber's Spouse

Business Address

Street Address of Subscriber's
Spouse

City, State and Zip Code

City, State and ZIP Code

Residence Address

City, State and Zip Code

****IMPORTANT****

PLEASE PRINT BELOW EXACTLY HOW YOU WANT YOUR NAME(S) LISTED
ON YOUR CERTIFICATE:

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ACCEPTED as the _____ day of _____, 1996 by:

HEMOCAPITAL INVESTMENT CORPORATION
a Nevada corporation

Address:

6836 Austin Center Blvd.
Suite 280
Austin, Texas 78731

By: _____
JOHN W. BALLARD, President

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LICENSE AGREEMENT

THIS LICENSE AGREEMENT ("Agreement") is entered into as of the 27th day of -----
November, 1996 by and among HomeOwners Mortgage and Equity, Inc., a Delaware corporation ("Home"), and Builders Square, Inc., a Delaware corporation

("Builders Square").

RECITALS

A. Home is a consumer finance company in the business of originating, purchasing, selling and servicing permanent, fixed term, home improvement and other secondary priority mortgage and unsecured loans for owners of residential real property.

B. Builders Square is a multi-store retailer selling home improvement and repair building materials, hardware and related merchandise to consumers and commercial contractors and providing installed sales of home improvement and repair projects on a turn-key basis to its customers.

C. Builders Square desires to grant a license to Home, and Home desires to accept a license from Builders Square, to allow Home to enter certain Builders Square stores for the limited purposes described in this Agreement and otherwise in accordance with this Agreement.

In consideration of the premises and the mutual promises, covenants, and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. DEFINITIONS. For purposes of this Agreement, the following terms shall have the following definitions:

"Builders Square customers": All customers of Builders Square which buy

Builders Square's goods or services directly from Builders Square in connection with any of the Stores.

"Designated employees": Employees of Builders Square selected by Builders

Square in its sole discretion.

"Home's Loan Products" or "Loan Products": All terms, conditions,

features and other descriptions of fixed term home improvement loans offered by Home to customers of Builders Square that own residential real property and are qualifying loans in all respects with the FHA Title I mortgage insurance program and/or Home's conventional underwriting, closing and funding criteria, as the same is revised or modified from time to time, inclusive of unsecured loans up

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to \$7,500.00, secured "no equity required" loans of up to \$25,000.00, and secured loans of over \$25,000.00 with equity requirements. Loan Products include permanent, fixed term loans for the purpose of financing the purchase of materials or installed sales projects on a turn-key basis.

"Kiosk": A kiosk with an automated loan machine which includes certain

computer hardware and software developed and manufactured by Affinity Technology Group, Inc. ("Affinity"), which originates, processes, closes

and funds loans in an automated fashion.

"Loan Documents": Any and all loan documents relating to any of Home's

Loan Products or the MoneyLink financing program, including, without limitation, any and all loan agreements, promissory notes, deeds of trusts, mortgages, financing statements, disclosures, notices, and any and all other agreements, disclosures, correspondence and/or notices related thereto.

"MoneyLink" financing program: The array of Home's Loan Products and the

method in which such loans are offered, originated, underwritten, approved, closed, funded and serviced for customers of Home.

"Promotional Materials": Home's informational brochures, sales counter

brochures and displays, advertising copy, advertising banners, books, audio tapes, and other similar materials which describe Home's Loan Products and/or MoneyLink financing program.

2. LICENSE; TERM AND TERMINATION.

2.1 LICENSE. Upon the terms and subject to the conditions contained in this Agreement, Builders Square hereby grants a license (the "License") to Home, and

Home hereby accepts such a License, to enter the Builders Square stores described on Exhibit "A" attached hereto and incorporated herein for all

purposes (collectively, the "Stores") to (i) place Kiosks in the Stores in order

to make available Home's Loan Products to customers of Builders Square and (ii) otherwise allow Home to make available its Loan Products to customers of Builders Square, in accordance with the provisions of this Agreement. The actual location of each Kiosk within each Store shall be designated by Builders Square in a reasonably visible and accessible space within each Store. During the Test Period (defined in Section 2.2 hereof), and subject to availability from

Affinity, Home shall place one (1) Kiosk in each of the particular Test Stores (defined in Section 2.2 hereof) which are designated as containing a Kiosk on

Exhibit "A". After the Test Period, Home shall place one (1) Kiosk in such

Builders Square stores and at such times as will be in accordance with a schedule to be agreed upon by Home and Builders Square prior to the end of the Test Period, or as may be otherwise agreed upon by Home and Builders Square. Notwithstanding any provision

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contained herein to the contrary, this Agreement shall not apply to any Builders Square stores which are not in existence as of the date hereof.

All loans offered by Home under its Loan Products program shall be subject to the requirements of Home's underwriting guidelines, credit standards, rates of return and expense reimbursement standards, payment features, loan and credit documentation requirements and other features and criteria as may be established by Home from time to time for its Loan Products offered to customers of Builders Square. In no event shall Builders Square have any authority, duty, responsibility or obligation whatsoever to review any credit applicant's information for determining their worthiness of meeting Home's loan requirements or rendering any decision regarding the approval of a requested loan from Home. All credit decisions shall be the sole decision and responsibility of Home. Builders Square agrees that its designated employees shall, from time to time, inform interested customers about available Loan Products offered by Home, without remuneration of any kind from Home, by supplying the customers with Promotional Materials furnished by Home and informing the customers of the nature and benefits of Home's Loan Products.

2.2 TERM. The term of this Agreement shall commence on the date hereof and continue through May 31, 1997 (the "Test Period"). Notwithstanding anything to

the contrary contained herein, during such Test Period, this Agreement shall only apply to those Builders Square stores identified on Exhibit "A" as the

"Test Stores." Prior to the end of the Test Period, either party may terminate

this Agreement based on either party's determination that the results achieved during the Test Period are unsatisfactory, in that party's sole judgment and discretion, by giving to the other party written notice of cancellation before the end of the Test Period. In the event this Agreement is not terminated before the end of the Test Period as described herein, this Agreement shall continue and remain in force and effect (unless terminated as provided in this Section 2)

with respect to all the Stores for an initial term of three (3) years following the date of this Agreement. This Agreement shall thereafter be automatically renewed for three (3) successive renewal terms of three (3) years each, unless (i) either Home or Builders Square shall give to the other party at least ninety (90) days prior written notice of its intent not to renew this Agreement prior to the expiration of the initial three (3) year term or any three (3) year renewal term, or (ii) otherwise terminated pursuant to any other provision of this Section 2. For purposes of this Agreement, "term" means the Test Period,

the initial term, and any renewal terms. Notwithstanding anything to the contrary contained herein, should Builders Square, for any reason whatsoever, close or cease operations at any Store, this Agreement shall ipso facto

terminate with respect to that Store, and Builders Square shall, in such instance, have no liability whatsoever to Home as a result of such closure or cessation of operations.

2.3 TERMINATION. Notwithstanding the provisions of Section 2.2 hereof, this

Agreement may be terminated as follows:

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(a) Termination by Mutual Consent. Home and Builders Square may

terminate this Agreement at any time by mutual written consent.

(b) Termination Upon Default. Either party may terminate this Agreement

upon default by the other party with (i) thirty (30) days prior written notice to the other party of such party's default with respect to an obligation other than a breach of any warranty or representation contained in Sections 11.1 or

11.2 of this Agreement or (ii) fifteen (15) days prior written notice to the

other party of such party's default with respect to a breach of any such warranty or representation, unless such default is cured prior to the expiration of the applicable notice period. Any notice of default shall contain a detailed description of the alleged default and shall refer to the relevant provisions of this Agreement.

(c) Termination by Notice. Either party may terminate this Agreement for

any reason whatsoever in its sole and absolute discretion by giving the other party notice of its election to terminate. The termination shall be effective one (1) year from the date of the notice of termination (the "Notice Termination

Date"). The effect of a notice of termination is to change the expiration date

of the term of the Agreement to the Notice Termination Date; in all other

respects, this Agreement will remain in full force and effect until the Notice Termination Date unless this Agreement is terminated earlier under subparagraphs (a) or (b) of this Section.

(d) Damages Limited. In no event shall either party hereunder be liable

for any special, indirect, incidental, consequential or exemplary damages that may be incurred or claimed to be incurred by the other party, and each party hereby waives its rights to recover any such damages from the other party.

3. Operation of Kiosks.

3.1 GENERAL; OWNERSHIP; TAXES. Each Kiosk shall be no larger than six feet (6') by eight feet (8') in dimension. The Kiosks shall not be physically affixed to the Stores. Builders Square may move each Kiosk to a different location within the same Store (which different location is mutually acceptable to Builders Square and Home), at Builders Square's sole cost and expense, no more than once in every calendar year, unless otherwise agreed by the parties. The Kiosks, and all personal property located on, in or at the Kiosks, shall be owned by Home, and Home shall pay any and all personal property taxes and any other taxes that may be levied by any governmental authority or quasi-governmental authority with jurisdiction in connection with the Kiosks, the operation or use of the Kiosks (including, without limitation, the loan and financing services to be offered by Home to Builders Square customers as described in this Agreement), and/or the personal property contained on, in or at the Kiosks.

3.2 MAINTENANCE; REPAIRS. Any and all repairs and maintenance in connection with the Kiosks shall be the obligation of Home; Builders Square shall have no obligation

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whatsoever to repair or maintain any of the Kiosks. Home shall keep and maintain the Kiosks clean and in good working condition at all times during the term hereof at Home's sole cost and expense.

3.3 ELECTRICITY AND TELEPHONE SERVICE. Builders Square shall make available reasonable lighting and power for Home to operate and maintain the Kiosks and agrees that Home may obtain telephone service for the Kiosks; provided that (i) all telephone lines and service used by Home in connection with the Kiosks shall be at Home's sole cost and expense, (ii) Builders Square shall not be responsible for the costs of extending any utility lines or utilities, and (iii) Builders Square shall not be responsible for, and shall not incur any liability to Home or any other person or entity as a consequence of, any electrical failure, power outage or telephone service failure which may affect the Kiosks and/or their operation.

3.4 SIGNS; NOISE. Home shall not place or erect any directional, informational or other signs or banners (collectively, the "Signs") in

connection with the Kiosks at the Stores without the prior consent of Builders Square (including, without limitation, with regard to the size, color, dimensions, composition, and method of installation of the Signs). Any and all signs shall be the sole cost and expense of Home. Home shall comply with all Applicable Laws in connection with the Signs. All Signs shall be removed by Home on the termination or expiration of this Agreement. In addition, no loudspeakers, horns, flashing lights, music, public announcement system, or other similar loud or disruptive noise or communication shall be used by Home in connection with any of the Kiosks.

3.5 HOURS OF OPERATION; ACCESS. Home agrees to operate the Kiosks during the same hours and days that the relevant Stores are open to the public. Home's employees shall have access through the Stores to the Kiosks during the term hereof for purposes of maintaining the Kiosks; provided, however, that (i) such access through the Stores shall be restricted to normal business hours on days when the Stores are otherwise open to the public, and (ii) the activities of Home and its employees shall not interfere with the normal activities of Builders Square or its employees or customers. Builders Square shall make available reasonable work space surrounding the Kiosks for Home's employees to perform the services described in this Agreement.

4. COVENANTS.

4.1 AFFIRMATIVE COVENANTS OF HOME. During the term of this Agreement, Home agrees to and acknowledges the following affirmative covenants of Home, in addition to any other covenants of Home in this Agreement:

(a) During the Test Period, Home shall offer its Loan Products to customers of Builders Square as provided in this Agreement only in connection with the Test Stores. After the Test Period, Home shall offer its Loan Products to customers of

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Builders Square as provided in this Agreement in connection with the Stores in accordance with a schedule to be agreed upon by Home and Builders Square prior to the end of the Test Period.

(b) Home will continuously provide each Store (subject to the provisions of Section 4.1(a) hereof) with an ample supply of Promotional

Materials for use by Builders Square in Builders Square's sole discretion, all of which Promotional Materials shall accurately and adequately describe Home's Loan Products.

(c) Home will schedule and present training classes, seminars and conferences at times and in locations as mutually agreed by Builders Square and Home to adequately train the designated employees of Builders Square to use the Loan Products of Home and to effectively inform their respective customers of the benefits of Home's Loan Products. The training will be in accordance with the procedures set forth in Part Two of the ringbinder captioned The MoneyLink

Book furnished to Builders Square as an appendix to this Agreement and as the same may be amended and modified from time to time, provided such an amended or modified version is furnished by Home to Builders Square and their designated employees, and provided, further, that all modifications and amendments shall be subject to the reasonable approval of Builders Square, to the extent such modifications or amendments may affect the rights, obligations or duties of Builders Square or its employees. Home's training and training materials shall also be consistent with the terms of this Agreement, including Exhibit "B"

hereto. For the initial term of this Agreement, this training will be provided by Walter Stoepfelwerth and HomeTech Information Systems, Inc. on behalf of Home and will include such additional topics as are mutually agreeable between the parties and Walter Stoepfelwerth and HomeTech Information Systems, Inc.

Notwithstanding anything to the contrary set forth in this Agreement or in the training materials, it is expressly understood and agreed that Builders Square's designated employees shall not be expected or have any obligation to perform any tasks under or in connection with this Agreement other than the tasks set forth in Exhibit "B" attached hereto and made a part hereof for all purposes, and Home

agrees to provide adequate training in the performance of such tasks at the foregoing-described training classes, seminars and conferences.

(d) Home's Loan Products shall comply in all respects with the FHA Title I Home Improvement Loan Program and such other conventional loan programs as it deems necessary in its sole discretion to make credit available to customers of Builders Square considered to be within Home's grades as "A" through "C" credit quality loans, using Home's underwriting and credit scoring criteria and systems.

(e) During the term hereof, Home agrees not to offer or make available its Loan Products or MoneyLink financing program through any home-improvement retail store operated by The Home Depot, Inc., Lowe's Co., Inc., Menard, Inc., or any affiliate or subsidiary of the foregoing, that is located within a twenty (20) mile radius of any

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Store. Notwithstanding the above, (i) the restriction described in the immediately preceding sentence shall not apply in connection with any Builders Square stores that do not exist as of the date of this Agreement, and (ii) Home may offer its Loan Products in any of the aforementioned stores, but only (A) with regard to unsecured loans, not secured loans, and (B) through the use of a Kiosk or similar automated technology.

4.2 AFFIRMATIVE COVENANTS OF BUILDERS SQUARE. During the term of this Agreement, Builders Square agrees to the following affirmative covenants:

(a) Builders Square will allow Home to offer its Loan Products and MoneyLink financing program in all of the Stores, in accordance with the terms of this Agreement.

(b) Builders Square will direct its designated employees to inform Builders Square customers of the availability of, and benefits provided by, Home's Loan Products and its MoneyLink financing program; provided, however, that Builders Square's designated employees shall not be required or expected to undertake any tasks with respect to Home's Loan Products or the MoneyLink financing program other than those set forth in Exhibit "B" hereto.

(c) Builders Square will display Home's Signs (in accordance with Section 3.4 hereof), point-of-sale marketing displays and Promotional Materials

in its Stores, provided that the amount and general appearance of the marketing displays and Promotional Materials are subject to Builders Square's prior approval.

(d) Builders Square will direct its designated employees to participate in training classes, sessions and conferences provided by Home and Home's selected training representatives and vendors. Notwithstanding any provision to the contrary contained herein, however, Builders Square shall not be required to hire additional employees or pay any overtime to any employees in order to afford such employees the opportunity to attend such classes, sessions and conferences, or to otherwise satisfy Builders Square's obligations hereunder.

(e) The license granted herein to Home shall be non-exclusive, except that Home's rights granted herein to offer Builders Square customers at the Stores permanent, fixed-term loans for the purposes of financing the purchase of materials or an installed sale project on a turn-key basis shall be exclusive to the extent specified herein. During the term hereof, Builders Square shall not permit itself or any other third party (except Home) to offer such permanent, fixed-term Loan Products as described in the immediately preceding sentence at the Stores. However, nothing contained herein shall be construed to prohibit Builders Square from offering, either itself or through any other third parties, any loan products that are of a revolving-term nature, such as credit card sales or commercial revolving line of credit programs,

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Square Plus, regular private label cards, business credits, or revolving third party credit cards, at any of the Stores.

5. ADVERTISING.

5.1 Home agrees to provide joint marketing and/or advertising to promote its Loan Products, Kiosks, and/or MoneyLink financing program at the Stores and Builders Square's products and services in connection therewith. Home agrees that such marketing and advertising will be conducted jointly with Builders Square, in accordance with the provisions of this Article 5 and this Agreement.

The content of the joint marketing and advertising and the expenditure of funds related thereto shall be subject to the prior joint approval of Home and Builders Square. Except as provided below, Home agrees that the amount of its

participation in advertising and promotion as described in this Section will, on a quarterly basis, be equal to (but may in Home's sole discretion exceed) one percent (1%) of the gross amount of all loans made by Home through Home's MoneyLink financing program, through the Kiosks or otherwise, to customers of Builders Square during the preceding quarter (the "Advertising Budget"). Home is -----

not required to contribute any funds toward advertising and marketing during the Test Period; Home's contribution during the first (1st) quarter following the Test Period will be equal to one percent (1%) of the gross funding of all loans made by Home to Builders Square customers during the Test Period. Home's contributions to marketing and advertising as described in this Section shall be in addition to Home's costs and expenses for the preparation of Promotional Materials to be used in the Stores (excluding advertising copy), which costs and expenses are Home's sole responsibility and shall not be part of the Advertising Budget.

5.2 Home agrees to provide Builders Square and its auditors with copies of such financial information as Builders Square or its auditors may reasonably request to establish the amount of the Advertising Budget and to verify the required amount of Home's expenditures relating to the Advertising Budget. Home shall also provide Builders Square with [monthly] [quarterly] written reports, in form and substance acceptable to both parties, describing its marketing and advertising during the reporting period, which reports shall include an itemization of the amounts spent by Home (including copies of invoices) in connection with such marketing and advertising and a copy of the actual advertising copy or other marketing materials. Home will fund its participation in the marketing and advertising described above by making payments directly to third party vendors of such services. Notwithstanding anything contained herein to the contrary, neither party hereto shall issue any publicity or press release regarding the terms and conditions of its contractual relations with the other party hereunder, and neither party shall refer to this Agreement in the solicitation of business without obtaining the other party's prior written approval.

5.3 Home shall not use the Kiosks, Promotional Materials or the MoneyLink financing program to advertise, promote, refer or offer for sale the goods or services of

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any third parties without the prior written consent of Builders Square, and Home agrees to pay to Builders Square fifty percent (50%) of any fees, commissions or other payments Home receives in connection with any such approved third party advertisements, promotions, referrals or offers.

6. SERVICE MARKS, TRADEMARKS AND TRADE NAMES. Neither party shall use any of the service marks, trademarks or trade names (collectively, the "Marks") of the -----

other party without such party's prior written consent and only under the terms of any such consent; provided, however, that Builders Square may not unreasonably withhold its consent to Home's use of Builders Square's name and

address in Home's Promotional Materials and advertising for the purpose of informing potential customers of the Stores at which Home's Loan Products are available. Each party will comply with all rules and procedures pertaining to the Marks prescribed by the owner of such Marks as may be amended from time to time (collectively, the "Rules"). Any unauthorized use of the Marks will

constitute a default under this Agreement. Upon the termination or expiration of this Agreement, each party will immediately discontinue any and all uses of the other party's Marks.

7. EXPENSES. Home shall be solely responsible for all costs and expenses in connection with the Kiosks except as provided in Section 3.3 hereof. Home shall

also be solely responsible for all costs and expenses in connection with the Promotional Materials, including, without limitation, the creative design, production and printing of the Promotional Materials (in accordance with Article 5 hereof).

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8. HOME RESPONSIBILITIES.

8.1 LOAN PRODUCTS. Home will be solely responsible for creating, modifying and maintaining Home's Loan Products to be offered to customers of Builders Square for the purpose of enhancing the retail sales of Builders Square at the Stores. Home shall be solely responsible for explaining and selling its Loan Products to Builders Square customers (except only to the extent of the participation of Builders Square's designated employees as described in Exhibit

"B"), and processing, closing, funding, and servicing all loans thereunder;

Builders Square shall have no such responsibilities (except only to the extent described in Exhibit "B"). Without limiting the foregoing, it is expressly

understood and agreed that (i) all Promotional Materials shall state in a manner approved by both Builders Square and Home that Home is the sole lender with respect to Home's Loan Products, that Home is not affiliated with Builders Square, and that Builders Square has no liability or responsibility with respect to Home's Loan Products, and (ii) Home shall provide, either in all Loan Documents or as a separate disclosure that shall constitute a Loan Document and shall be provided at the same time as the other Loan Documents, a notice that Home is the sole lender with respect to Home's Loan Products, that Home is not affiliated with Builders Square, and that Builders Square has no liability or responsibility with respect to Home's Loan Products.

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8.2 LOAN PROCESSING, CLOSING AND FUNDING; HOME REPRESENTATIVES. Home shall maintain sufficient facilities and staff to review adequately all loan applications of Builders Square customers and process, close and fund all approved applicants in an expedient and timely manner, subject to the receipt of

any requested documentation from and the cooperation of, customers of Builders Square. All of the persons described in the foregoing sentence shall be Home employees or representatives (collectively, the "Home Representatives"). Home

shall be solely responsible for arranging, directly or through third-party employers, for all compensation, workers' compensation, disability and taxes applicable to the Home Representatives. Home Representatives shall not represent that they are employees or agents of Builders Square. The Home Representatives shall comply with all rules and regulations that are applicable to Builders Square employees at the Stores whenever they are working at a Store. In addition, Builders Square reserves the right to deny access to any Store to any member of the Home Representatives who, in Builders Square's sole opinion, is disruptive, disorderly, under the influence of alcohol or drugs, harasses customers or Builders Square employees, or causes damages to persons or property located within the Store.

8.3 LOAN REPORTING. Home will furnish Builders Square with hardware and software in thirty-three (33) regional installed sales offices and the Builders Square home offices, consisting of thirty-four (34) personal computers as specified in Exhibit "C" attached hereto, together with software that allows the

personal computers to furnish Builders Square with the hereafter described reports. The hardware and software will be made available on a timetable to be agreed by the parties. Home will furnish Builders Square with three (3) reports on a daily basis detailing (i) the number of applications received from the previous day's activity, the loan decision by Home with respect to each application, the borrower's name, and the originating Store location, (ii) the number of loans funded for the previous day, the borrower's name, the loan amount funded and the originating Store location, and (iii) the number of approved and unfunded loans with closings pending (the "pipeline report"),

showing the borrower's name, loan amount, status of closing and the originating Store location. Home shall retain ownership of the hardware and software and shall allow Builders Square to use the same free of charge for the term of this Agreement. Home will pay shipping costs involved in delivery of the hardware and software to each Builders Square office, and shall be responsible for any maintenance or replacement of the same throughout the term of this Agreement. Builders Square shall be responsible for the costs of setting up the hardware and installation of the software. Upon termination of this Agreement for any reason, Builders Square shall return all hardware and software to Home at Builders Square's sole cost and expense.

9. BUILDERS SQUARE RESPONSIBILITIES. Builders Square will have no responsibilities under this Agreement except as otherwise specifically provided herein. Notwithstanding any other provision herein to the contrary, it is expressly understood and agreed that Builders Square is not the lender with respect to Home's Loan Products. Furthermore, it is understood and agreed that Builders Square shall not in

any way be responsible for closing, funding, servicing, collecting, qualifying or making any loan that is a Home Loan Product, for underwriting or guarantying any loan that is a Home Loan Product, or for investigating or verifying any information provided by any applicant for any Home Loan Product, it being understood and agreed that all such tasks are to be performed solely by Home.

10. RELATIONSHIP BETWEEN BUILDERS AND HOME. Home is an independent contractor and licensee hereunder and nothing contained in this Agreement shall be deemed or construed to create a partnership, joint venture or employee-employer or principal-agent relationship between Home and Builders Square. Neither Home nor Builders Square shall make any representations to any customer or any other person or entity that implies that Builders Square is an ostensible or apparent agent, partner or joint venturer of Home or that Home is an ostensible or apparent agent, partner or joint venturer of Builders Square.

11. REPRESENTATIONS, WARRANTIES AND INDEMNIFICATION.

11.1 REPRESENTATIONS AND WARRANTIES OF HOME. Home represents and warrants to Builders Square that:

(a) Home currently possesses and shall maintain during the term of this Agreement, all necessary or required licenses, permits, consents or approvals (collectively, the "Licenses") required under any applicable federal, state or

local law, regulation, code or ordinance (collectively, "Applicable Laws"), by

the states and/or governmental or quasi-governmental agencies or political subdivisions of such states as set forth in paragraph (a) of Exhibit "D", in

connection with this Agreement, including the loan and financing services offered by Home hereunder and/or the establishment and operation of the Kiosks at the Stores.

(b) As of the date hereof, Home has applied for all necessary Licenses required under Applicable Laws in such states as set forth in paragraph (b) of

Exhibit "D". Home shall diligently pursue the obtainment of all such Licenses

and upon obtainment of such Licenses, shall maintain the Licenses thereafter in good standing with the appropriate state and/or other governmental authorities.

(c) Home will, within fifteen (15) business days after the date of this Agreement, apply for and diligently pursue all necessary Licenses required under Applicable Laws by the states set forth in paragraph (c) of Exhibit "D". Home

shall diligently pursue the obtainment of all such Licenses, and upon obtainment of such Licenses, shall maintain the Licenses thereafter in good standing with the appropriate state and/or other governmental authorities.

(d) If Home does not obtain the Licenses described in paragraphs (b) or (c) above by the end of the Test Period, then this Agreement may be terminated

party upon written notice to the other party. In addition, if any governmental or regulatory authority now or hereafter in existence shall disapprove of the offering of loan and financing services by Home at the Stores or any aspect of the performance by either party as required herein to satisfy this Agreement, or if any such authority shall direct any party hereto to discontinue its performance hereunder, the parties agree that this Agreement may be immediately terminated at the election of either party by written notice, without liability to either party hereunder.

(e) Home currently possesses and shall maintain during the term of this Agreement sufficient financial capability to originate, close, fund and service all qualifying loans to customers of Builders Square in accordance with the terms of this Agreement.

(f) Home currently possesses and shall maintain during the term of this Agreement a contract of insurance for property improvement home loans under Title I of the National Housing Act as issued by the U.S. Department of HUD, Federal Housing Commissioner, or in absence of such a contract if, and only if, the same ceases to exist due to a statutory change of law, the ability to originate, close, fund and service loans of a similar nature to loans made available under the Title I program.

(g) Home's execution of and entering into this Agreement does not violate or contravene any provision of any other contract or agreement to which Home is a party.

(h) Home has no actual knowledge of any fact which would prohibit Home from receiving the Licenses described in subparagraphs (b) or (c) above.

(i) Home shall comply with all Applicable Laws (including, without limitation, all Applicable Laws relating to usury, installment sales, consumer credit, billing errors, credit discrimination, debt, collection, liens, encumbrances, and unfair, deceptive or unconscionable practices) in connection with this Agreement and the services to be provided by Home hereunder, including, without limitation, Home's offering, evaluating, funding, processing, servicing, and collecting of loans, its Promotional Materials, and its Loan Documents.

11.2 REPRESENTATION AND WARRANTIES OF BUILDERS SQUARE. Builders Square represents and warrants to Home that, except where the consent of a landlord of Builders Square may be required as hereinbelow described, Builders Square's execution of and entering into this Agreement does not violate or contravene any provision of any other contract or agreement to which Builders Square is a party. Should any Store lease require the consent of the landlord thereunder prior to the installation of a Kiosk or commencement by Home of the activities herein contemplated, Builders Square agrees to use commercially reasonable efforts to promptly obtain such consent, and Home shall have no right to enter

or use such Store pursuant to this Agreement until such consent is obtained.

11.3 INDEMNIFICATION.

(a) Home shall indemnify and hold Builders Square, its affiliates, employees, officers, directors, representatives, and agents harmless from and against all expenses, claims, losses, damages and liabilities (or actions, proceedings or settlements in respect thereof) arising out of or based on (i) any breach by Home or any agent or employee thereof of any covenant, agreement, warranty or representation set forth in this Agreement or any covenant, agreement, warranty or representation made to any customer in any Promotional Materials or in any Loan Document or in connection therewith, and (ii) the negligence, misrepresentation, fraud, recklessness, intentional misconduct or willful act or omission of Home or any agent or employee thereof, and (iii) any violation of law, legal deficiency, misrepresentation or omission in any Promotional Materials or in any Loan Document, or in the offering, evaluating, funding services and/or collection of any loans (including, without limitation, any damages or claims arising out of or in connection with the failure by Home to provide adequate training or guidance to Builders Square or its employees concerning Home's Loan Products, the Loan Documents, the MoneyLink financing program, or Applicable Laws relating thereto or to the offering of the same to the public), and (iv) any claim by any person or entity that Home failed or refused to provide loan or financing services to such person or entity, and (v) any property damage, personal injury or death arising, directly or indirectly, from any occurrence at any of the Stores in connection with the Kiosks, and (vi) any electrical, telephone or other utility failure that may affect the Kiosks, and shall reimburse Builders Square for any legal and any other expenses reasonably incurred in connection with investigating and defending or settling any such claim, loss, damage, liability or action, as incurred; provided, however, that Home shall not be liable in any case to the extent that such claim, loss, damage, liability or expense arises out of or is based on the gross negligence, recklessness or intentional actions of Builders Square or any of its agents or employees.

(b) Builders Square shall indemnify and hold Home, its affiliates, employees, officers, directors, representatives, and agents harmless from and against all expenses, claims, losses, damages and liabilities (or actions, proceedings or settlements in respect thereof) arising out of or based on (i) any fraud or willful misconduct on the part of Builders Square or any of its employees in connection with this Agreement, or (ii) an alleged defect in Builders Square's goods or services, but only to the extent that the particular claim or loss is covered by a Builders Square express written warranty (the "Builders Square Warranty") that benefits the particular Builders Square

customer that is involved in such claim. Notwithstanding any provision contained herein to the contrary, including, without limitation, the immediately preceding sentence and Section 15.10 hereof, Builders Square's indemnity described in

clause (ii) above shall expire on the earlier of the expiration date of the

Builders Square Warranty or the date of the Builders Square customer's signed acceptance of the relevant goods and/or services of Builders Square. Builders Square shall provide a Builders Square Warranty to each of its customers who purchases a Builders Square's installed sales program. A

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copy of the Builders Square Warranty is attached hereto as Exhibit "E" and

incorporated herein for all purposes.

(c) Each party entitled to indemnification under this Section 11.3 (the

"Indemnified Party") shall give notice to the party required to provide

indemnification (the "Indemnifying Party") promptly after such Indemnified Party

becomes aware of any claim as to which indemnity may be sought, and shall permit the Indemnifying Party to assume the defense of any such claim or any litigation resulting therefrom, provided that counsel for the Indemnifying Party, who shall conduct the defense of such claim or litigation, shall be approved by the Indemnified Party, whose approval shall not be unreasonably withheld. The Indemnified Party may participate in such defense at such party's expense; provided, however, that the Indemnifying Party shall bear the expense of such defense of the Indemnified Party if representation of both parties by the same counsel would be inappropriate due to actual or potential conflicts of interest. The failure of any Indemnified Party to give notice as provided herein shall relieve the Indemnifying Party of its obligations under this Section 11.3 only

to the extent that such failure to give notice shall materially and adversely prejudice the Indemnifying Party in the defense of any such claim or any such litigation. The Indemnifying Party litigation shall not be liable under this Section 11.3 for amounts paid in settlement of any claim covered hereby if such

settlement is effected without the consent of the Indemnifying Party, which consent shall not be unreasonably withheld. No Indemnifying Party, in the defense of any such claim or litigation, shall, except with the consent of each Indemnified Party, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Indemnified Party of a release from all liability in respect to such claim or litigation.

12. INSURANCE. Home shall, at its sole cost and expense, obtain and maintain, throughout the term hereof, commercial general liability insurance with limits of not less than \$1,000,000 for bodily injury and \$500,000 for property damage per occurrence, protecting it and Builders Square, and Builders Square's landlords and their respective mortgagees, against any liability that may accrue against them or any of them on account of occurrences on or about the Stores as a consequence of the presence of the Kiosks at the Stores, which occurrences may result in property damage, personal injury or death. Home shall also, at its sole cost and expense, obtain and maintain, throughout the term hereof, errors

and omissions insurance with limits of not less than \$1,000,000, protecting it (with Builders Square as a loss payee) against any liability that may accrue in connection with Home's Loan Products, including based on breach of duty, negligence, error, misstatement, misleading statement or omission. Home shall provide Builders Square and its landlords with certificates of insurance acknowledging Builders Square and its landlords as additional insureds (or loss payee, as applicable) under said insurance policies. Such insurance shall contain waiver of subrogation clauses and shall provide that the same may not be canceled unless thirty (30) days prior written notice of such cancellation is given to Builders Square and its landlords

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by the insurers. Home shall maintain the Kiosks adequately insured against casualty or damage, and Builders Square shall have no liability to Home for any losses or damages suffered by the Kiosks.

13. SECURITY. Home shall provide any and all security that it may desire in connection with the Kiosks and the personal property located on or in the Kiosks; Builders Square shall have no liability or responsibility to Home or any other person or entity for any security in connection with the Kiosks, regardless of whether Home elects to provide any security as described in this Section.

14. CONFIDENTIALITY. Each party (the "Receiving Party") covenants and agrees

that, both during the term of this Agreement and at all times thereafter, it shall not use or disclose to any other person or entity any Confidential Information (defined below) of the other party (the "Disclosing Party"), shall

not in any other way publicly or privately disseminate any Confidential Information, and shall not help anyone else to do any of these things, except (i) to the Receiving Party's employees to whom disclosure is necessary for proper use of the Confidential Information in accordance herewith; (ii) to any third party authorized in writing by an officer of the Disclosing Party to receive such disclosure; and (iii) as may be required by law. "Confidential Information" shall mean all information disclosed by the Disclosing Party to the Receiving Party, not generally known to the public, that relates to the business or customers of either party, including but not limited to any information regarding Home's customers and/or Builders Square customers. All Confidential Information shall be considered trade secrets of the Disclosing Party and the Receiving Party shall treat such Confidential Information as it would treat its own Confidential Information.

15. MISCELLANEOUS.

15.1 GOVERNING LAW AND VENUE. This Agreement shall be governed by and shall be construed and enforced in accordance with the laws of the State of Texas applicable to agreements entered into and performed within such State, but without reference to the conflicts of law rules of such State, and suits brought in connection with this Agreement shall be brought in the courts of Bexar

County, Texas.

15.2 SUCCESSORS AND ASSIGNS. This Agreement shall inure to the benefit of and be binding upon both of the parties hereto and their respective successors and permitted assigns. Neither party shall assign this Agreement nor delegate any obligations hereunder without the prior written consent of the other party which consent may be withheld at each party's sole discretion. In this regard, Home acknowledges that Builders Square is relying on the skill and character of Home in the performance of this Agreement.

15.3 ENTIRE AGREEMENT. This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof, and this Agreement

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supersedes and renders null and void any and all other prior oral or written agreements, understandings, or commitments pertaining to the subject matter hereof. No variation hereof shall be deemed valid unless in writing and signed by the parties hereto, and no discharge of the terms hereof shall be deemed valid unless by full performance by the parties hereto or by a writing signed by the parties hereto.

15.4 WAIVER. The failure of any party to insist upon the strict performance of any of the terms, conditions and provisions of this Agreement shall not be construed as a waiver or relinquishment of future compliance therewith, and said terms, conditions and provisions shall remain in full force and effect. No waiver of any term or any condition of this Agreement on the part of either party shall be effective for any purpose whatsoever unless such waiver is in writing and signed by such party. No waiver by either party of any provision or condition of this Agreement to be performed shall be deemed a waiver of similar or dissimilar provisions and conditions at the same time or any prior or subsequent time.

15.5 INVALIDITY. Should any part of this Agreement, for any reason whatsoever, be declared invalid, illegal, or incapable of being enforced in whole or in part, such decision shall not affect the validity of any remaining portion, which remaining portion shall remain in full force and effect as if this Agreement had been executed with the invalid portion thereof eliminated, and it is hereby declared the intention of the parties hereto that they would have executed the remaining portion of this Agreement without including therein any portion which may for any reason be declared invalid.

15.6 NOTICES. Any notices required to be delivered under this Agreement shall be in writing and sent to the addresses or telecopy numbers set forth below. Any party may change its address and/or telecopy number for notice purposes by giving written notice of such change as set forth herein:

If to Home: HomeOwners Mortgage and Equity, Inc.
6836 Austin Center Blvd., Suite 280
Austin, Texas 78731
Attn: John W. Ballard, President & CEO

Telecopy: (512) 795-9815

If to Builders Square: Builders Square, Inc.
9725 Datapoint Drive
San Antonio, Texas 78229
Attn: Senior Vice President - Chief Financial
Officer

Telecopy: (210) 616-8018

Each such notice, request or other communication shall be effective (i) if given by telecopier, when such telecopy is transmitted to the telecopy number set forth in this

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Section 15.6 and the telecopy machine used by the sender provides a written

confirmation that such telecopy has been so transmitted or receipt of such telecopy transmission is otherwise confirmed, (ii) if given by U.S. Mail, 72 hours after such communication is deposited in the mail for delivery by certified or registered first class mail, return receipt requested, with the appropriate postage prepaid, addressed as set forth in this Section 15.6, (iii)

if delivered by overnight courier service, when such notice is actually received at the address set forth in this Section 15.6 as recorded by such overnight

courier service or (iv) if given by any other means, when actually received at the address set forth in this Section 15.6.

15.7 CAPTIONS. The captions contained in this Agreement are for convenience of reference only and shall not control or affect the meaning or construction of any of the provisions of this Agreement.

15.8 COUNTERPARTS. This Agreement may be executed in counterparts, each of which shall be deemed an original and all of which taken together shall constitute one and the same instrument.

15.9 ATTORNEYS' FEES. If either party is required to retain the services of any attorney to enforce or otherwise litigate or defend any matter or claim arising out of or in connection with this Agreement, the prevailing party shall be entitled to recover from the other party, in addition to any other relief awarded or granted, its reasonable costs and expenses (including, without limitation, reasonable attorneys' fees and reasonable expert witnesses' fees) incurred in such proceeding.

15.10 SURVIVAL. The obligations of the parties set forth in Sections 11.3

(except as otherwise expressly provided in Section 11.3(b)), 14 and 15.9 shall
----- -- ----
survive the termination or expiration of this Agreement.

15.11 AMENDMENT. This Agreement may be amended or modified at any time and in all respects, and may be waived as to any provisions, only by an instrument in writing executed by all parties hereto.

15.12 AUTHORITY. Each person who executes this Agreement below on behalf of the indicated party represents that he or she has obtained all consents, approvals, and authority necessary to execute this Agreement on behalf of said party.

15.13 NO THIRD PARTY BENEFICIARIES. There are no third party beneficiaries of this Agreement, it being the intention of the parties that this Agreement is for the exclusive benefit of the parties hereto and for no one else.

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IN WITNESS WHEREOF, HOME AND BUILDERS SQUARE have executed this Agreement as of the date first set forth above.

HOMEOWNERS MORTGAGE AND EQUITY, INC.

ATTEST:

BY:/s/ Anna M. Walker

BY: /s/ John W. Ballard

NAME:John W. Ballard

TITLE:President/CEO

BUILDERS SQUARE, INC.

ATTEST:

BY:/s/ Betty Reed

BY:/s/ Calvin B. Massmann

NAME:CALVIN B. MASSMANN

TITLE:SR. V.P/C.F.O.

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STATE OF TEXAS (S)

(S)

COUNTY OF Travis (S)

Before me, the undersigned Notary Public in and for the County and State aforesaid, personally appeared John Ballard, who upon oath acknowledged to be

the President of Builders Square, a Delaware corporation, and that he/she

executed the same as the act of such corporation for the purposes and
consideration therein expressed, and in the capacity therein stated.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official
seal this 27th day of November, 1996.

[NOTARY PUBLIC SEAL]

/s/ Ricardo Castillo

Notary Public

My appointment expires:

STATE OF TEXAS (S)
(S)
COUNTY OF BEXAR (S)

Before me, the undersigned Notary Public in and for the County and State
aforesaid, personally appeared CALVIN B. MASMANN, who upon oath acknowledged to

be the SR.V.P./C.F.O. of Builders Square, a Delaware corporation, and that

he/she executed the same as the act of such corporation for the purposes and
consideration therein expressed, and in the capacity therein stated.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official
seal this 27 day of November, 1966.

--

/s/ Carol A. Meales

Notary Public

My appointment expires:

2-15-2001

[NOTARY PUBLIC SEAL]

EXHIBIT A

* Designates Test Stores

BUILDERS SQUARE BY STATE

State Store Address City, State, Zip

ALABAMA	1554	2601 N. Memorial	Huntsville, AL 35810
COLORADO	1041	860 S. Colorado Blvd.	Glendale, CO 80222
	1378	880 S. Abilene St.	Aurora, CO 80012
	1379	9050 N. Wadsworth	Westminster, CO 80021
	1499	1725 Sheridan Blvd.	Edgewater, CO 80214
	1580	813 E. Harmony Rd.	Ft. Collins, CO 80525
	1595	4887 S. Wadsworth Way	Denver, CO 80123
FLORIDA	1009	13755 S.W. 88th St.	Miami, FL 33186
	1033	2495 Gulf to Bay	Clearwater, FL 34625
	1313	12525 W. Sunrise Blvd.	Sunrise, FL 33323
	1321	2302 E. Semoran Blvd.	Apopka, FL 32703
	1322	5750 Jog Rd.	Lake Worth, FL 33467
	1323	955 W. Brandon Blvd.	Brandon, FL 33511
	1325	750 University Dr.	Coral Springs, FL 33071
	1345	1400 Waterford Pl.	Delray Beach, FL 33444
	1350	11100 E. Colonial Dr.	Orlando, FL 32817
	1353	1450 Executive Circle	Palm Bay, FL 32905
	1355	20811 S. Dixie Hwy.	Cutler Ridge, FL 33189
	1369	13711 S. Taminani 100	Ft. Myers, FL 33912
	1372	13501 S. Dixie Hwy.	Miami, FL 33156
	1377	4000 Oakwood	Hollywood, FL 33020
	1382	12201 Pines Blvd.	Pembroke Pines, FL 33026
	1397	2400 W. International	Daytona Beach, FL 32114
	1423	1412 W. Fairfield Dr.	Pensacola, FL 32501
	1512	4025 US 98 N.	Lakeland, FL 33805
	1526	204 Semoran Blvd.	Casselberry, FL 32707
	1535	5181 110th Ave N.	Clearwater, FL 34620
ILLINOIS	1001	956 N. Illinois Rt. 59	Aurora, IL 60504
	1003	6640 E. State St.	Rockford, IL 61108
	1021	7311 Melvina	Niles, IL 60714
	1043	2001 Belvidere Rd.	Waukegan, IL 60085
	1311	363 N. Naperville Rd.	Bolingbrook, IL 60440
	1318	4340 Lincoln Hwy.	Matteson, IL 60443
	1332	7200 Woodward Ave.	Woodridge, IL 60517
	1336	17620 Halsted Rd.	Homewood, IL 60430
	1337	7770 S. Cicero Ave.	Burbank, IL 60459
	1368	493 N. Milwaukee	Vernon Hills, IL 60061
	1376	3001 Plainfield Rd.	Joliet, IL 60435
	1386	1325 Meacham Rd.	Schaumburg, IL 60173
	1399	1000 Winston Plaza	Melrose Park, IL 60160
	1414	265 State Rt 83	Elmhurst, IL 60126

State

Store Address

City, State, Zip

ILLINOIS	1426	8901 N. Knoxville Ave.	Peoria, IL 61615
	1430	16199 South Harlem	Tinley Park, IL 60477
	1432	350 Army Trail Rd.	Bloomington, IL 60108
	1433	400 Airport Rd.	Elgin, IL 60120
	1434	1575 N. Rand Rd.	Palatine, IL 60067
	1520	2400 Main St.	Evanston, IL 60202
	1531	1 Countryside Plaza	Countryside, IL 60525
INDIANA	1016	6235 Lima Road	Ft. Wayne, IN 46818
	1017	115 Cross Pointe Blvd.	Evansville, IN 47715
	1018	4641 Lafayette	Indianapolis, IN 46254
	1049	2782 East 79th Ave.	Merrillville, IN 46410
	1429	7826 Interstate Plaza	Hammond, IN 46324
	1480	602 N. Shortridge	Indianapolis, IN 46219
KANSAS	1320	9609 E. Kellogg	Wichita, KS 67207
	1326	17th S. W. Wanamaker	Topeka, KS 66604
	1471	613 S. Dugan Rd.	Wichita, KS 67209
	1473	12010 W. 95th St.	Lenexa, KS 66215
KENTUCKY	1339	828 Heights Blvd.	Florence, KY 41042
MICHIGAN	1011	3175 Westbay	Saginaw, MI 48604
	1019	31510 Gratiot Ave.	Roseville, MI 48066
	1020	29659 7 Mile Rd.	Livonia, MI 48152
	1035	555 Ctr. Dr. N.W.	Walker, MI 49504
	1039	33801 Van Dyke	Sterling Heights, MI 48312
	1301	5115 Portage Rd.	Kalamazoo, MI 49001
	1361	45160 Utica Park Blvd.	Utica, MI 48317
	1383	2214 Summit Mall Dr.	Waterford, MI 48328
	1398	5951 Mercury Dr.	Dearborn, MI 48126
	1435	8400 East 8 Mile	Detroit, MI 48234
	1436	14800 Dix Toledo Rd.	Southgate, MI 48195
	1461	3603 Miller Rd.	Flint, MI 48507
	1490	43610 West Oaks	Novi, MI 48377
	1528	4250 28th St. S.E.	Grand Rapids, MI 49508
	1530	4949 Coolidge Hwy.	Royal Oak, MI 48073
	1533	5750 S. Cedar	Lansing, MI 48911
	1541	2820 Washtenaw Ave.	Ypsilanti, MI 48197
	1570	223 Auburn E.	Rochester Hills, MI 48307
	1578	42000 Ford Rd.	Canton Township, MI 48187
	1598	4715 24th Avenue	Ft. Gratiot, MI 48059

State	Store	Address	City, State, Zip
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MISSOURI	1013	9440 Watson Rd.	Crestwood, MO 63126
	1394	13929 Manchester Rd.	St. Louis, MO 63011
	1458	11424 Hickman Mills	Kansas City, MO 64134
	1459	14221 Hwy 40 E.	Kansas City, MO 64136
	1537	12410 St. Charles Rock	Bridgeton, MO 63044
	1557	10710 W. Florissant	Ferguson, MO 63136
	1579	3300 S. Glenstone	Springfield, MO 65804
	1589	6750 Manchester Ave.	St. Louis, MO 63139
NEW JERSEY	1396	2080 N. Blackhorse	Williamstown, NJ 08094
	1588	300 Trotters Way	Freehold, NJ 07728
NEW MEXICO	1495	45 Hotel Circle NE	Albuquerque, NM 87123
NEVADA	1439	4501 W. Charleston	Las Vegas, NV 89102
NEW YORK	1304	2799 Wallllden	Cheektowaga Twp, NY 14225
	1305	Northern Lights Ctr, Rt 11	N. Syracuse, NY 13212
	1331	4405 Milestrip Rd.	Blasdell, NY 14219
	1380	26 B. Crossing Blvd.	Clifton Park, NY 12065
	1385	750 Builders Way	Niagara Falls, NY 14304
	1560	1814 Central Ave.	Colonie, NY 12205
	1567	400 Jay Scutti Blvd.	Rochester, NY 14623
OHIO	1025	8199 Pearl Rd.	Strongsville, OH 44136
	1306	4450 Eastgate Blvd.	Cincinnati, OH 45245
	1343	4066 W. Medina Rd.	Montrose, OH 44333
	1364	5865 Chantry Dr.	Columbus, OH 43232
	1392	3400 Highland Ave.	Cincinnati, OH 45213
	1441	1866 Shiloh Springs, Bldg A	Dayton, OH 45426
	1463	1520 Wooster Ave.	Akron, OH 44320
	1465	2230 Fairless Dr.	Lorain, OH 44055
	1486	510 Howe Ave.	Cuyahoga Falls, OH 44221
	1489	21669 Ctr. Ridge	Rocky River, OH 44116
	1513	5750 Columbus Sq.	Columbus, OH 43231
	1527	4321 Whipple Ave.	Canton, OH 44718
	1542	1191 Smiley	Forest Park, OH 45240
	1566	6199 Wilson Mills Rd.	Highland Hts, OH 44143
	1572	23100 Broadway	Oakwood Village, OH 44146
	1592	3575 W. Dublin-Grandville	Columbus, OH 43235
OKLAHOMA	1388	9717 E. 71st St.	Tulsa, OK 74133
	1440	7700 S. Walker	Oklahoma City, OK 73139
	1442	525 N. Memorial	Tulsa, OK 74115

1456 2905 N.W. 36th St. Oklahoma City, OK 73112

State	Store	Address	City, State, Zip
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OREGON	1464	2315 S.E. 82nd Ave.	Portland, OR 97216
	1466	1160 N. Hayden Meadow	Portland, OR 97217
PENNSYLVANIA	1334	Rt. 51 Constitution	Beaver Falls, PA 15010
	1358	501 Cetronia Rd.	Allentown, PA 18104
	1359	232 Mall Blvd.	King of Prussia, PA 19406
	1384	5101 Jonestown Rd.	Harrisburg, PA 17112
	1448	1500 Yost Blvd.	Braddock Hills, PA 15221
	1488	8050 McKnight Rd.	Pittsburgh, PA 15237
	1510	2424 E. Lincoln Hwy.	Langhorne, PA 19047
	1558	903 Loucks Rd.	York, PA 17404
	1565	2030 Fruitville Pike	Lancaster, PA 17601
	1573	7200 Peach St, 300	Erie, PA 16509
	1574	1025 Mountain View	West Mifflin, PA 15122
PUERTO RICO	1002	Los Colobos, PR 3 KM 14.0	Carolina, PR 00985
	1004	Montehiedra Ctr 9410	San Juan, PR 00926
	1307	Plaza Mall 70, Hwy 30	Caguas, PR 00725
	1309	2399 Carr #2	Bayamon, PR 00959
	1310	2765 Carr #2	Mayaguez, PR 00680
	1354	El Toque Industrial Prk	Ponce, PR 00731
TEXAS	* 1005	7950 FM 1960	Houston, TX 77070 (KIOSK)
	* 1006	25415 I-45 N.	Woodlands, TX 77380 (KIOSK)
	* 1007	5400 Fairmont Pkwy	Pasadena, TX 77505
	1008	2500 Soncy Blvd.	Amarillo, TX 79121
	1030	11751 Gateway W.	El Paso, TX 79936
	1031	655 Sunland Park, Ste D	El Paso, TX 79912
	1032	5407 Andrews Hwy	Midland, TX 79704
	* 1036	6001 NW Loop 410	San Antonio, TX 78238
	* 1340	13013 US 281 N.	San Antonio, TX 78216
	1341	716 E. Expwy 83	McAllen, TX 78501
	* 1344	10241 N. Frwy	Houston, TX 77037
	* 1346	7500 IH 35 North	San Antonio, TX 78218 (KIOSK)
	1348	2400 Boca Chica	Brownsville, TX 78520
	* 1351	14409 Park Hollow Dr.	Houston, TX 77082
	* 1373	2920 SW Military	San Antonio, TX 78224
	* 1401	100 Crossroads, 200	San Antonio, TX 78201
	1406	3701 50th St.	Lubbock, TX 79413
	* 1409	4645 Beechnut	Houston, TX 77096
	* 1411	20091 Gulf Frwy	Webster, TX 77598
	* 1421	1010 West Belt N.	Houston, TX 77043

1422	5501 Airport Blvd.	Austin, TX	78751
1561	5425 S. Padre Island	Corpus Christi, TX	78411
1583	4970 290 W, 5	Austin, TX	78735
1584	12707 N. MoPac Expwy.	Austin, TX	78727
1590	5700 San Bernardo	Laredo, TX	78041

VIRGINIA	1515	4725 Virginia Beach	Virginia Beach, VA	23462
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State	Store	Address	City, State, Zip
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WISCONSIN	1362	2429 S. Greenbay Rd.	Racine, WI	53406
	1393	401 E. Capitol Dr.	Milwaukee, WI	53212
	1483	150 West Holt Ave.	Milwaukee, WI	53207
	1487	6740 W. Greenfield	West Allis, WI	53214
	1523	10202 W. Silver Spring	Milwaukee, WI	53225

EXHIBIT "B"

TASKS TO BE PERFORMED BY BUILDERS SQUARE EMPLOYEES

In any instance where Builders Square is acting as a contractor to the customer, the following procedures (in the sequence they are shown below) shall apply to the employee(s) or representative(s) of Builders Square communicating with the customer.

1. Builders Square shall determine the nature of the improvements and/or repairs being sought by the customer to their residence by discussing the same with the customer.
2. The customer shall be asked by Builders Square how they plan to pay for the project.
3. The customer shall be shown by Builders Square the Authorized MoneyLink Contractor Certificate which evidences that Builders Square is authorized to introduce the customer to Home, inc. and its MoneyLink financing programs.
4. Builders Square shall discuss with the customer other projects that are similar to the project the customer is inquiring about and their range of costs, including the total prices of the comparison projects and the amount of monthly payments for the prices if the projects were financed by Home, inc.
5. Builders Square shall explain to the customer the advantages of using Home, inc.'s MoneyLink financing programs as explained in Home inc.'s Promotional Materials furnished at the "point of purchase/sale" in the stores of Builders Square, including pointing out to the customer the possibility of upgrades in the project and/or allowing a more comprehensive project to be considered by the

customer as a result of using a MoneyLink loan offered by Home, inc.

6. At any time when the customer asks Builders Square the question, "What is the interest rate for the loan?", Builders Square shall respond in a manner consistent with the suggested responses contained on Page 19, in Part Two, The MoneyLink Book.

7. Builders Square shall provide the customer with a MoneyLink brochure and explain the features offered to the customer by Home, inc.'s loans, as set forth in the brochure. Builders Square shall ask the customer to fill out the "Preliminary Credit Worksheet" form contained in the brochure in the event the customer is interested in requesting a loan from Home, inc. (THE FORM MUST BE

FILLED OUT BY THE CUSTOMER(S) AND SIGNED WITHOUT ANY ASSISTANCE FROM BUILDERS

SQUARE)

8. Builders Square shall offer to fax the "Preliminary Credit Worksheet" to Home, inc. on behalf of the customer.

Page Two
Exhibit "B"

9. On a customer's request for a proposal for Builders Square's installed sales with Home, inc. financing, Builders Square shall prepare a written job proposal covering Builders Square's installed sales with financing by Home, inc. for the customer's review and acceptance. Upon the customer's signature accepting such job proposal, Builders Square shall send a copy of the job proposal to Home, inc. via facsimile, with the name of the customer and the relevant Builders Square store set forth on the job proposal. Any financing by Home, inc. shall be subject to Home, inc.'s approval of the loan to the customer.

THE FOLLOWING PROCEDURES AND RESPONSES ON THE PART OF BUILDERS SQUARE ARE

PROHIBITED BY HOME, INC.:

1. Any statement or representation by Builders Square to the customer that Builders Square is the lender, or makes any decision on a customer's request for a loan from Home, inc., including, but not limited to, the approval or denial of the loan, or the setting of its terms and conditions.

2. Any statement or representation by Builders Square to the customer regarding the rate of interest, fees or other charges that will be incurred by the customer on an approved loan from Home, inc., or the terms and conditions under which Home, inc. will approve a loan to a customer, or the probability that Home, inc. will approve a loan to the customer.

3. Builders Square filling out the "Preliminary Credit Worksheet" for the customer.
4. Builders Square using (or providing to any third party) any information contained in the customer's "Preliminary Credit Worksheet" for any purpose other than transmitting the same by fax or mail to Home, inc.
5. Builders Square using (or providing to any third party) any of the training materials furnished by Home, inc. for any purpose other than its own use in informing customers about Home, inc. and its MoneyLink financing programs.

IN THE EVENT THAT CLARIFICATION OF THE MATTERS SET FORTH ABOVE IS NECESSARY, THE CONTENTS OF PART TWO, THE MONEYLINK BOOK ("PART TWO") MAY BE REFERRED TO BY THE PARTIES. HOWEVER, NOTWITHSTANDING ANY PROVISION TO THE CONTRARY HEREIN OR OTHERWISE, (A) THE TERMS OF THIS EXHIBIT SHALL GOVERN TO THE EXTENT OF ANY CONFLICT BETWEEN THIS EXHIBIT AND PART TWO, AND (B) PART TWO SHALL BE REVISED BY HOME, INC. IN ACCORDANCE WITH THE PROVISIONS OF EXHIBIT "B-1" ATTACHED HERETO AND INCORPORATED HEREIN FOR ALL PURPOSES.

[LETTERHEAD OF HOME, INC.]

EXHIBIT "B-1"

November 25, 1996

Mr. Cal Massmann (Via Fax #210-616-8548)
Mr. Dave Baratta " "
Builders Square, Inc.
9725 Datapoint Drive
San Antonio, Texas 78229

Anna Gonzalez Barber (Via Fax #210-224-8336)
Fulbright & Jaworski
300 Convent Street, Suite 2200
San Antonio, Texas 78205

Re: Changes (in process) to the MoneyLink Book

Dear Cal, Dave and Anna:

The last draft of the License Agreement prepared by Anna on November 8th provides under paragraph 4.1(c) that Home will furnish Builders Square with any modifications it intends to make to The MoneyLink Book, of which Part Two is incorporated in the License Agreement as an appendix. We have finished a review of The MoneyLink Book for purposes of its intended use as a part of the training we will be providing the designated employees of Builders Square and in

preparation of Exhibit "B" to the License Agreement. Accordingly, the following modifications and updates will be included in the versions used for the training of the designated Builders Square employees:

PART ONE, PAGE 12. This section will be updated with the changes related to -----
branch offices of Home, inc. and the licensed states.

PART TWO, PAGE 2. In the first sentence under the second section titled -----
MoneyLink OneDoc, the sentence will be modified as follows "... if the home is at least three months old." The balance of the sentence will be deleted. (These changes are as a result of changes in Title 1 regulations permitting the home to only be three months old instead of six months old and deleting the requirement the home be owner-occupied.)

PART TWO, PAGE 6. (MONEYLINK ESTIMATED PAYMENT TABLE) This table will be -----
modified to reflect a change in the amortization term for all loans under \$8,000 being 10 years and all loans \$8,000 and over, up to \$25,000, being amortized over 20 years. The resulting

Page Two
Massmann, Baratta and Barber letter
November 25, 1996

estimated monthly payment amounts will also change due to the longer amortization period allowed, resulting in lower monthly payments for loans under \$15,000 than what was previously depicted in the table.

PART TWO, PAGE 8. (LOAN COMPARISON CHART) This chart will be revised to reflect -----
an \$8,000 loan example shown underneath the title of the chart instead of the \$15,000 example previously shown, in order to better reflect the typical Builders Square loan. Additional changes will be made to the interest rate column in the chart as follows:

<TABLE>
<CAPTION>

CREDIT QUALITY	TYPE OF LOAN	INTEREST RATE
-----	-----	-----
<S>	<C>	<C>
A	HOME, INC. MONEYLINK+PLUS (CONVENTIONAL)	9.99%
B	HOME, INC. MONEYLINK	13.00%

C	HOME, INC. MONEYLINK+PLUS (CONVENTIONAL)	14.00% - 15.00%
C	HOME, INC. MONEYLINK	14.00% - 15.00%

</TABLE>

The corresponding monthly payments for each of the above loan types will also change due to the change in the interest rate used for each loan type. (The changed rates reflect the change in market conditions. As rate changes occur in the future, it may be necessary to modify the chart to reflect the fluctuation in interest rates.)

PART TWO, PAGE 19. After the second sentence in the fifth paragraph, insert the

following new sentence: "However, in Texas, home equity loans can only be secured with a lien by the lender if loan proceeds are used for either improving or repairing one's primary home, paying taxes, or as part of the purchase price." In the sixth paragraph, delete the last sentence in its entirety. In the eighth paragraph, modify the last sentence to read as follows: "Otherwise, a home improvement loan that does not require the borrower to have a certain amount of equity is probably your only recourse."

PART TWO, PAGE 21. The last sentence in the first section will be modified as

follows: "..., or a closing agent will come to the house, except in Texas where regulations prohibit a closing to occur in a borrower's residence." (This is due to regulations promulgated by the Consumer Credit Commissioner of Texas)

Page Three
Massmann, Baratta and Barber letter
November 25, 1996

In closing, the above changes are all that are contemplated for the Builders Square version of The MoneyLink Book that will be used in the training of employees. Since this letter is being used as an exhibit to the License Agreement, we will consider your acceptance of the same to occur upon the execution of the License Agreement by Builders Square and Home, inc.

Sincerely,

/s/ Gary J. Davis
Gary J. Davis
GJD/me

EXHIBIT "C"

PROPOSED COMPUTER EQUIPMENT CONFIGURATION

Description

Amount

Dell 5133/GL
1.4 GIG Hard Drive
16 Meg Ram
US Robotics 33.6 Fax/Modem
15" Monitor
HP-682C Printer

(ea) \$2,017.08	x	Quantity of 34	=	\$68,580.72
		Tax	=	5,315.00

				73,895.72
		Shipping & Handling	=	50.00
		TOTAL	=	\$74,745.72

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EXHIBIT "D"

Section 11.1(a) Colorado
Florida
Indiana
Missouri
New Mexico
Oklahoma
Oregon
Texas

Section 11.1(b) Alabama
Kansas
Michigan
Nevada
Virginia

Section 11.1(c) Illinois
Kentucky
New York
Ohio
Pennsylvania
Wisconsin
Puerto Rico

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LABOR GUARANTEE

 If the workmanship of any installation arranged by Builders Square proves faulty within one year from date of this invoice, Builders Square will, upon notice from you, cause such faults to be corrected at no additional cost to you.

INSTALLATION: IT IS UNDERSTOOD THAT BUILDERS SQUARE WILL NOT INSTALL SAID MATERIALS BUT THAT BY ACCEPTANCE OF THIS PROPOSAL YOU AUTHORIZE BUILDERS SQUARE TO ARRANGE WITH A CONTRACTOR LICENSED WHERE REQUIRED TO MAKE THE INSTALLATION YOU AUTHORIZE BUILDERS SQUARE (1) TO ISSUE TO SAID CONTRACTOR A COPY OF THESE SPECIFICATIONS (2) TO INSPECT THE INSTALLATION UPON COMPLETION WHEN CONSIDERED NECESSARY AND (3) TO PAY THE CONTRACTOR HIS CHARGE FOR SUCH INSTALLATION UPON YOUR SIGNATURE BELOW OR ELSEWHERE ESTABLISHING THAT THE INSTALLATION HAS BEEN SATISFACTORILY COMPLETED. YOU AGREE TO PAY THE AMOUNT SPECIFIED HEREIN WHICH WILL COVER THE PRICE OF SAID MATERIALS AND THE INSTALLATION CHARGES.

- . THIS ESTIMATE IS BASED ON A COMPLETED JOB AND ANY SURPLUS MATERIAL REMAINS THE PROPERTY OF BUILDERS SQUARE NO CREDIT SHALL BE DUE CUSTOMER ON RETURN OF SUCH MATERIAL.
- . THERE SHALL BE NO LIABILITY FOR DELAYS, OR FAILURE TO COMPLETE, DELIVER OR INSTALL ALL OR ANY OF THE AFORESAID MERCHANDISE, IF DUE TO FIRE, STRIKES, WAR, GOVERNMENT REGULATIONS, OR ANY CAUSE BEYOND OUR CONTROL.
- . ANY CHANGES MADE BY YOU IN THESE SPECIFICATIONS NECESSITATING ADDITIONAL MATERIALS OR LABOR SHALL NOT BE INCLUDED OR COVERED BY THIS PROPOSAL BUT SHALL BE PROVIDED FOR UNDER SEPARATE AND ADDITIONAL ORDERS FROM YOU

THIS PROPOSAL AND SAID SPECIFICATIONS SHALL NOT BE ALTERED OR MODIFIED EXCEPT BY WRITTEN AGREEMENT BETWEEN THE PARTIES HERETO AND VERBAL UNDERSTANDINGS AND AGREEMENTS WITH REPRESENTATIVES SHALL NOT BE BINDING UNLESS SET FORTH HEREIN.

 NOTICE TO OWNER

Under the law, any contractor, subcontractor, material supplier, or other entity or person who provides improvements to your real property who is not paid for the labor, services or material supplied, has a right to enforce a claim for same against your property (even though you did not contract directly with such person.) Under the law, there are one or more steps you may take to protect yourself against such claims and/or minimize your exposure in correction therewith. It's up to you to review the law and decide whether you want to take these precautions. You should consult your attorney if you have any questions.

TO CONTRACTOR:

The customer, named on the reverse side, wishes you to proceed with the installation at the specified address, of materials specified on the reverse side and/or on attached sketch or specification sheet. By the acceptance of this order you agree to protect and indemnify said customer and Builders Square from all claims or demands on account of injury to persons or property occurring during or as a result of said installation. You are responsible for payment of all contributions and taxes due under and for all requirements of Federal and State Social Security and Income Tax laws with respect to any payrolls incurred in performance of the work herein specified. These provisions do not in any way amend or modify any other agreement that you may have with Builders Square. On completion of the job you agree to obtain the customer's signature on the Letter of Satisfaction below, and execute the Waiver of Lien, submitting both to Builders Square, along with your invoice and any monies due on this contract.

CONTRACTOR: WAIVER AND RELEASE OF LIEN

The undersigned Contractor, in consideration of the sum of One Dollar and other good and valuable considerations, the receipt whereof from the customer whose name appears on the reverse side hereof is acknowledged, hereby waives, relinquished and forever releases all liens, rights of lien, claims and demands whatsoever which the undersigned, or any subcontractor, laborer, mechanic, or materialman claiming thru or under the undersigned, now has or might or could have for work done or for materials furnished on or to the building or buildings and premises situated at the address appearing on the reverse side hereof as the job location, the undersigned represents that all of the work performed on the said premises and materials furnished therefor by any other party or parties upon the order of the undersigned has been fully paid for, and the undersigned agrees to cause the prompt release of any mechanics liens which may be filed against said premises by any subcontractor, laborer, mechanic, or materialman claiming the right to file such lien through or under the undersigned, and the undersigned further agrees to defend, hold harmless and indemnify Builders Square, the customer whose name appears on the reverse side hereof and the owner of title to said premises, from and against all cost and expenses arising from or by reason of such lien or the release and discharge thereof.

SEALED AND DELIVERED THIS _____ DAY OF _____ 19 ____

SIGNATURE OF CONTRACTOR _____

CONTRACTORS LICENSE (Where required) _____

CUSTOMER APPROVAL OF INSTALLATION

THE INSTALLATION AS SET FORTH IN THIS INVOICE HAS BEEN COMPLETED TO MY SATISFACTION

CUSTOMER SIGNATURE

DATE

<TABLE> <S> <C>

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM CONSOLIDATED BALANCE SHEET AT SEPTEMBER 30, 1996 AND STATEMENT OF OPERATIONS FOR THE YEAR THEN ENDED AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

</LEGEND>

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