

NOTICE TO BORROWERS

CERTAIN LOAN AGREEMENTS MUST BE IN WRITING

TEXAS LAW (Section 26.02, Business and Commerce Code) requires that all financial institutions conspicuously post notices summarizing requirements that loan agreements be in writing. You should know that:

- An agreement, promise, or commitment to loan more than \$50,000 **MUST BE IN WRITING AND SIGNED BY THE LENDER OR IT WILL BE UNENFORCABLE.**
- The written loan agreement will be the **ONLY** source of rights and obligations for agreements to lend more than \$50,000.
- Oral agreements relating to loans over \$50,000 are **NOT EFFECTIVE** either to establish a commitment to lend or to vary the terms of a written loan agreement.

As part of the documentation required for loans over \$50,000, **BORROWERS MUST BE PROVIDED AND MUST SIGN A NOTICE** conspicuously stating that:

“THIS WRITTEN LOAN AGREEMENT REPRESENTS 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.”

The notice set forth above, which must be signed by both the borrower and the financial institution, can be in a separate document or incorporated in one or more of the documents constituting the loan agreement. The notice must be in type that is bold faced, capitalized, underlined or otherwise set out from surrounding written material so as to be conspicuous.