

NOTE

[Date]

[City]

[State]

[Property Address]

1. BORROWERS PROMISE TO PAY

In return for the Principal Amount received, the undersigned (“Borrower”) hereby promises to pay _____ (“Lender”), a **nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code** organized under the laws of the **State of Minnesota**, the Principal Amount of U.S. \$ _____.

Borrower will make all payments due under this Note in the form of cash, check or money order.

Borrower understands that the Lender may transfer this Note. The Lender or anyone who takes this Note by transfer and who is entitled to receive payments under this Note is called the “Note Holder.”

2. PRINCIPAL, INTEREST, TIME AND PLACE OF PAYMENTS

Borrower understands that Lender is making funds available as part of its First Generation Down Payment Assistance Program serving borrowers with household incomes at or below 100% of Area Median Income as determined by the Department of Housing and Urban Development (“HUD”). Borrower agrees to own and occupy the Property as Borrower’s principal residence for the entire 60-month Deferral Period as defined below. Borrower further agrees (i) to repay lender the pro-rated balance of the Principal Amount if the events as defined in Subsection 2(a) or Subsection 2(b) of this Note, occur before the end of the 60- month Deferral Period or (ii) there is a default on a senior Note, Mortgage or Deed of Trust executed in connection with the Property.

If Borrower abides by the terms of this Note, and any other Note, Mortgage or Deed of Trust executed in connection with the Property, the Principal Amount of this Note will be fully deferred and incrementally forgiven during the 60-month Deferral Period, and thereafter entirely forgiven.

The Principal Amount of this Note is provided at a zero percent (0%) interest rate with no payments of principal due during the 60-month Deferral Period which commences on the ____ day of _____ and concludes on the ____ day of _____ unless repayment of the full or partial remaining Principal Amount is accelerated due to an event as defined in Subsection 2(a) or Subsection 2(b) of this Note or as the result of an event of default on a senior Note, Mortgage or Deed of Trust executed in connection with the Property.

The Principal Amount of this Note will be forgiven at a rate of twenty percent (20.00%) per year. The pro-rated balance for any full or partial year will be due and repayable upon any of the following events:

- (a) If the property is conveyed, sold, transferred, subjected to a new Note, Mortgage or Deed of Trust, whether voluntary, involuntary or by operation of law, during the 60-month Deferral Period of this Note, Lender shall have the right in its sole and absolute discretion to declare the full or pro-rated remaining indebtedness of this Note to be immediately due and payable;

(b) If there is an event of default under the Mortgage or Deed of Trust executed in connection with this Note, the full or pro-rated remaining indebtedness hereof shall become immediately due and payable in full.

Borrower will make all payments due under this Note at _____, _____ or at a different place if required by the Note Holder.

3. BORROWERS FAILURE TO PAY AS REQUIRED

If Lender exercises its rights as a result of an event as defined in Subsection 2(a) or Subsection 2(b) of this Note, or due to default on a senior Note, Mortgage or Deed of Trust executed in connection with the Property, Lender shall give Borrower notice of acceleration. The notice shall provide a period of not less than 30 days from the date the notice is given within which Borrower must pay all sums due.

If the full or partial Principal Amount due as a result of acceleration is not paid within 30 days of the notice of acceleration, it shall immediately commence to bear interest at a default rate of interest of three percent (3.00%) per annum until fully paid.

If the Note Holder requires the Borrower to pay immediately in full as described above, the Note Holder will have the right to be paid back by Borrower for all of its costs and expenses in enforcing this Note, including reasonable attorneys' fees, to the extent not prohibited by applicable law.

Notwithstanding anything to the contrary contained herein, if the Borrower's first mortgage is an FHA-insured mortgage, the Borrower is not liable for Lender's costs and expenses, including attorney fees, if the event of default results solely from Borrower's violation of any legal restriction on conveyance, as defined in 24 C.F.R. § 203.41, such as the owner-occupancy restriction and restrictions on transfer.

4. GIVING OF NOTICES

Unless applicable law requires a different method, any notice that must be given to the Borrower under this Note will be given by delivering it or by mailing it by first class mail to the Borrower at the Property Address above or at a different address if the Borrower gives the Note Holder a notice of a different address.

Any notice that must be given to the Note Holder under this Note will be given by delivering it or by mailing it by first class mail to the Note Holder at the address stated in Section 2 above or at a different address if the Borrower is given a notice of that different address.

5. OBLIGATIONS OF PERSONS UNDER THIS NOTE

If more than one person signs this Note, each person is fully and personally obligated to keep all of the promises made in this Note, including the promise to pay the full or partial Principal Amount owed if required. Any person who is a guarantor, surety or endorser of this Note is also obligated to do these things. Any person who takes over these obligations, including the obligations of a guarantor, surety or endorser of this Note, is also obligated to keep all of the promises made in this Note. The Note Holder may enforce its rights under this Note against each person individually or against all persons together. This means that any one person may be required to pay all of the amounts owed under this Note.

6. WAIVERS

Borrower and any other person who has obligations under this Note waive the rights of Presentment and Notice of Dishonor. "Presentment" means the right to require the Note Holder to demand payment of amounts due. "Notice of Dishonor" means the right to require the Note Holder to give notice to other persons that amounts due have not been paid.

7. SECURED NOTE

In addition to the protections given to the Note Holder under this Note, a Mortgage, Deed of Trust, or Security Deed (the "Security Instrument"), dated the same date as this Note, protects the Note Holder from possible losses which might result if Borrower does not keep the promises which are made in this Note. That Security Instrument describes how and under what conditions the Borrower may be required to make immediate payment in full of all amounts that are owed under this Note. The indebtedness evidenced by this Note is subordinate in all respects to the indebtedness evidenced by one or more Notes payable to one or more senior lien holders.

In the event of foreclosure or deed in lieu of foreclosure of Prior Mortgage or Deed of Trust, any provisions herein or any provisions in any other collateral agreement restricting the use of the Property to low or moderate-income households or otherwise restricting the Borrower's ability to sell the Property shall have no further force or effect. Any person (including his successors or assigns) receiving title to the Property through a foreclosure or deed in lieu of foreclosure of a Prior Mortgage or Deed of Trust shall receive title to the Property free and clear from such restrictions. Any legal restriction on conveyance, as defined in 24 C.F.R. § 203.41, terminates upon foreclosure, deed-in-lieu of foreclosure, or assignment of the first mortgage to the U.S. Department of Housing and Urban Development.

Borrower understands the terms of this Note and acknowledges and agrees to the stipulations and provisions contained herein.

WITNESS THE HAND(S) AND SEAL(S) OF THE UNDERSIGNED.

- Borrower

- Borrower

Lender NMLSR ID#:
Mortgage Loan Originator (MLO) Name:
MLO NMLSR ID#: