Instructions: The language in red brackets is optional.

If the optional language is added or deleted in Sections 3 or 6, then re-letter or re-number and format so that “; or” appears only before the last subsection.

NOTE

(For Electronic Signature)

[Insert - Forgivable Program Name]

[THIS LOAN CONTAINS PROVISIONS PROHIBITING THE UNAUTHORIZED

TRANSFER OF THE PROPERTY AND IS NOT ASSUMABLE]

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, \_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

[Note Date] [City] [State]

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

[Property Address]

**1. BORROWER’S PROMISE TO PAY**

In return for a loan in the amount of U.S. $ \_\_\_\_\_\_\_\_\_ (the “Principal”) that I have received from \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (the “Lender”), I promise to pay the Principal, plus interest, if any, to the order of the Lender. I will make all payments under this Note in U.S. currency in the form of cash, check, money order, or other payment method accepted by Lender.

I understand 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. INTEREST**

No interest will be charged on unpaid Principal.

[However, if I fail to pay this Note as required under Section 3 below, interest will be due on the unpaid principal balance at the yearly rate of \_\_\_\_\_% or the maximum rate allowed by law, whichever is less, from the date when payment of this Note was due until I pay it in full.]

**3. PAYMENTS**

**(A) Time and Place of Payments**

No payments will be due on this Note unless I am in default. If I am in default, I will pay any unforgiven amount at \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ or at a different place if required by the Note Holder.

**(B) Maturity Date**

The “Maturity Date” of the loan will be the earliest of any of the following dates:

(i) \_\_\_\_\_\_\_\_\_\_, \_\_\_\_\_;

(ii) the date the loan is fully forgiven (as set forth in Section 3(C) below);

(iii) the date on which the property (or any interest therein) securing this Note (the “Property”) is sold or otherwise transferred;

(iv) the date on which the “First Lien Note” is refinanced or paid in full (the “First Lien Note” is a loan made by the first lien lender to me under a first lien note and a security instrument on the Property dated the same date as this Note) [unless waived by the Note Holder in writing]; or

(v) the date on which the First Lien Note becomes due and payable for any reason.

[(vi) the date I cease to use the Property as my primary residence.]

**(C) Loan Forgiveness**

[So long as I am not in default, the outstanding principal balance of this Note will be reduced each [month] [year] on the anniversary date of this Note by an amount equal to [insert percentage] of the original Principal amount.]

**[OR]**

[If I am not in default, the outstanding principal balance of this Note will be forgiven on the Maturity Date.]

**4. BORROWER’S RIGHT TO PREPAY**

I have the right to make payments of principal at any time before they are due. A payment of principal only before it is due is known as a “Prepayment.” When I make a Prepayment, I will notify the Note Holder in writing that I am doing so.

I may make a full Prepayment or partial Prepayments without paying a Prepayment charge. The Note Holder will use my Prepayments to reduce the amount of Principal that I owe under this Note. However, the Note Holder may apply my Prepayment to the accrued and unpaid interest, if any, on the Prepayment amount, before applying my Prepayment to reduce the Principal amount of the Note. If I make a partial Prepayment, there will be no changes in the Maturity Date unless the Note Holder agrees in writing to those changes.

**5. LOAN CHARGES**

If applicable law sets maximum loan charges, and that law is finally interpreted so that any interest or other loan charges collected or to be collected in connection with the loan exceed the permitted limits, then (a) any such loan charge will be reduced by the amount necessary to reduce the charge to the permitted limit, and (b) any sums already collected from me that exceeded permitted limits will be refunded to me. The Note Holder may choose to make this refund by reducing the Principal I owe under this Note or by making a direct payment to me. If a refund reduces Principal, the reduction will be treated as a partial Prepayment.

**6. BORROWER’S FAILURE TO PAY AS REQUIRED**

**(A) Late Charges for Overdue Payments**

If the Note Holder has not received the full amount of any payment by the end of \_\_\_\_\_\_\_\_\_\_\_ calendar days after the date it is due, I will pay a late charge to the Note Holder. The amount of the charge will be \_\_\_\_\_% of my overdue payment.

**(B) Default**

I will be in default under this Note if:

(i) I fail to comply with the terms of this Note;

(ii) I fail to comply with the terms of the “Security Instrument” (defined in Section 10 below) securing this Note; or

(iii) I fail to comply with the terms of the First Lien Note or the mortgage, mortgage deed, deed of trust, or security deed securing the First Lien Note.

[(iv) I cease to use the Property as my primary residence.]

[(v) The Note Holder determines that any information furnished by Borrower to Lender regarding the loan under the First Lien Note or this loan is inaccurate or misleading in any material respect.]

**(C) Notice of Default**

If I am in default, the Note Holder may send me a written notice telling me that if I do not remedy the default by a certain date, the Note Holder may require me to pay immediately the full amount of unpaid Principal which has not been forgiven as described in Section 3(C) and all the interest, if any, that I owe on that amount and other charges due under this Note (the “Default Balance”). That date must be at least 30 days after the date on which the notice is mailed to me or delivered by other means.

**(D) No Waiver By Note Holder**

If I am in default and the Note Holder does not require me to pay the Default Balance immediately as described above, the Note Holder will still have the right to do so if I continue to be in default or if I am in default at a later time.

**(E) Payment of Note Holder’s Costs and Expenses**

If the Note Holder has required me to pay the Default Balance immediately as described above, the Note Holder will have the right to be paid back by me for all of its costs and expenses in enforcing this Note to the extent not prohibited by applicable law. Those expenses include, for example, reasonable attorneys’ fees and costs. I will pay the Note Holder back for those expenses paid by the Note Holder both before and after a Survival Event occurs as defined in Section 11 of this Note.

**7. GIVING OF NOTICES**

1. **Notice to Borrower**

Unless applicable law requires a different method, any notice that must be given to me under this Note will be given by delivering it, or by mailing it by first class mail, to me at the Property Address above or at a different address if I give the Note Holder a notice of my different address. I will promptly notify the Note Holder of any change to my physical address and of any change to my mailing address. Unless applicable law requires otherwise, notice may instead be sent by e-mail or other electronic communication if agreed to by me and the Note Holder in writing and if I have provided the Note Holder with my current e-mail address or other electronic address. If I have agreed with the Note Holder that notice may be given by e-mail or other electronic communication, I will promptly notify the Note Holder of any changes to my e-mail address or other electronic address.

1. **Notice to Note Holder**

Any notice that I must give to the Note Holder under this Note will be delivered by first class mail to the Note Holder at the address stated in Section 3(A) above or at a different address if I am given a notice of that different address.

**8. 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 amount owed. 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 of us together. This means that any one of us may be required to pay all of the amounts owed under this Note.

**9. WAIVERS**

I 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.

**10. SECURED NOTE**

In addition to the protections given to the Note Holder under this Note, a Mortgage, Mortgage Deed, Deed of Trust, or Security Deed (the “Security Instrument”), dated the same date as this Note, protects the Note Holder from possible losses that might result if I do not keep the promises that I make in this Note. That Security Instrument also describes how and under what conditions I may be required to make immediate payment of all amounts I owe under this Note. Some of those conditions are described as follows:

If all or any part of the Property or any Interest in the Property is sold or transferred (or if Borrower is not a natural person and a beneficial interest in Borrower is sold or transferred) without Lender’s prior written consent, Lender may require immediate payment in full of all sums secured by this Security Instrument. However, Lender will not exercise this option if such exercise is prohibited by Applicable Law.

If Lender exercises this option, Lender will give Borrower notice of acceleration. The notice will provide a period of not less than 30 days from the date the notice is given in accordance with Section 11 within which Borrower must pay all sums secured by this Security Instrument. If Borrower fails to pay these sums prior to, or upon, the expiration of this period, Lender may invoke any remedies permitted by this Security Instrument without further notice or demand on Borrower and will be entitled to collect all expenses incurred in pursuing such remedies, including, but not limited to: (a) reasonable attorneys’ fees and costs; (b) property inspection and valuation fees; and (c) other fees incurred to protect Lender’s Interest in the Property and/or rights under this Security Instrument.

1. **Effect of Survival Events**

For purposes of this Note, “Survival Event” is defined as follows:

(a) any default described in Section 6(B) of this Note;

(b) Noteholder requiring me to pay immediately the full amount of Principal which has not been paid and all the interest that I owe on that amount under Section 6(C) of this Note;

(c) Noteholder requiring immediate payment of all sums secured by the Security Instrument;

(d) the Maturity Date as defined in this Note;

(e) the entry of any judgment against me under this Note; and

(f) the entry of any judgment under the Security Instrument.

**12. ISSUANCE OF TRANSFERABLE RECORD (ELECTRONIC NOTE)**

1. **Definitions**

The following terms used in this Section 11 are defined as set forth below: (1) “Authoritative Copy” will have the meaning ascribed to such term in the UETA and E-SIGN (both as defined below), as amended from time to time; (2) “Electronic Note” means an electronically created note; (3) “Electronic Record” means a Record created, generated, sent, communicated, received, or stored by electronic means; (4) “Electronic Signature” means an electronic symbol or process attached to or logically associated with a record and executed or adopted by a person with the intent to sign a record; (5) “E-SIGN” means the Electronic Signatures in Global and National Commerce Act, codified at 15 U.S.C. §7001 *et seq.,* as it may be amended from time to time, or any applicable additional or successor legislation that governs the same subject matter; (6) “Note Holder Registry” means a registry system that is used to record the issuance and transfer of Electronic Notes; (7) “Paper Note” means an Electronic Note that is converted into a paper note; (8) “Record” means information that is inscribed on a tangible medium or that is stored in an electronic or other medium and is retrievable in perceivable form; (9) “Transferable Record” means an Electronic Record that: (i) would be a note under Article 3 of the Uniform Commercial Code if the Electronic Record were in writing and (ii) I, as the issuer, have agreed is a Transferable Record; and (10) “UETA” means the Uniform Electronic Transactions Act, as enacted by the jurisdiction in which the property is located, as may be amended from time to time, or any applicable additional or successor legislation that governs the same subject matter.

1. **Issuance of Transferable Record**

I have signed this Electronic Note using my adopted Electronic Signature. By signing this Electronic Note using my adopted Electronic Signature, I am: (1) promising to pay the amount owed, as evidenced by this Electronic Note, to the Note Holder, and (2) agreeing that this Electronic Note is a valid, enforceable and effective Transferable Record issued by me to the Note Holder under the transferable records provisions of UETA and E-SIGN. By virtue of my agreements above, this Electronic Note is a Transferable Record.

**(C) Identification of Registry and Note Holder**

After I issue this Electronic Note to the Note Holder, the Note Holder will register this Electronic Note in the Note Holder Registry. This Electronic Note will be registered in the Note Holder Registry operated by [Insert Name of Operator of Registry]. I agree that the Note Holder has the right, at any time to transfer the registration of this Electronic Note to another Note Holder Registry. The Note Holder Registry will contain the identity of the Note Holder and the location of the Authoritative Copy of this Electronic Note. I understand that I may request a copy of the Authoritative Copy of this Electronic Note from the Note Holder or the Note Holder’s designee. The only copy of this Electronic Note that is the Authoritative Copy is the copy identified by the Note Holder named in the Note Holder Registry or the Note Holder’s designee.

**(D) Conversion to a Paper Note**

I agree that the Note Holder has the right, at any time, to convert this Electronic Note into a Paper Note. If this Electronic Note is converted to a Paper Note: (1) the Paper Note will be governed by the negotiable instrument provisions of the Uniform Commercial Code as enacted in the jurisdiction where the Property Address is located; (2) a copy or representation of my Electronic Signature affixed or attached to a printed paper copy of the Electronic Note will be, for all legal purposes, my adopted, original, written signature on the Paper Note; (3) I have authenticated, issued and delivered the Paper Note to the Note Holder; (4) the Paper Note will be a valid original writing for all legal purposes; (5) upon conversion of this Electronic Note to a Paper Note by the Note Holder, my promise to pay the amount owed, evidenced by this Electronic Note, will automatically convert to, (without interruption, alteration or diminution) my promise to pay the amount owed, evidenced by the Paper Note; (6) I am bound by my promise to pay the amount owed evidenced by the Paper Note; and (7) the Note Holder will update the Note Holder Registry to reflect the conversion of this Electronic Note to a Paper Note and remove the registration of (de-activate) this Electronic Note in the Note Holder Registry such that the Electronic Note ceases to have any effect or validity.

**[13. TERMINATION OF CERTAIN RESTRICTIONS ON FIRST LIEN FHA-INSURED MORTGAGE OR DEED OF TRUST**

In the event of foreclosure or deed in lieu of foreclosure of a prior mortgage, mortgage deed, deed of trust, security deed, or assignment of the first mortgage, mortgage deed, deed of trust or security deed securing the First Lien Note to the Secretary of Housing and Urban Development, any provisions herein or any provisions in any other collateral agreement restricting the use of the Property or otherwise restricting the Borrower’s ability to sell the Property will have no further force or effect. Any person (including their successors or assigns) receiving title to the Property through a foreclosure or deed in lieu of foreclosure of a prior mortgage, mortgage deed, deed of trust, or security deed will receive title to the Property free and clear from such restrictions.]

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

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (Seal)

- Borrower

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (Seal)

- Borrower

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (Seal)

- Borrower