

**DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
FHA GOOD NEIGHBOR NEXT DOOR PROGRAM**

NOTE

\$ _____, 200

(Property Address)

1. BORROWER'S PROMISE TO PAY

(a) For valuable consideration that I have received, I, the Borrower, promise to pay the sum of U.S. \$ _____ (this amount being called "principal"), together with interest as computed below, to the order of the Secretary of Housing and Urban Development ("Secretary") or ("Lender"). The initial principal balance of this Note is the difference between the list price and the discounted sales price of the property at the address shown above (the "Property").

(b) I understand that the Lender may transfer this Note. The Lender or anyone to whom this Note is transferred and who is entitled to receive payment under this note is hereafter called the "Note Holder."

2. INTEREST

I will have no obligation to pay interest upon the principal of this note unless I am in default under the terms of paragraph 5 below, in which case I will pay interest at the United States Treasury's current value of funds rate in effect on the date of default.

3. PAYMENTS

(a) No regular monthly payments will be due under this Note.

(b) The principal balance of the loan will be reduced over the 36 month Owner-occupancy period, according to the following formula:

the principal shall be reduced by $1/36^{\text{th}}$ on the last day of each month following the occupancy start date of **[insert date of commencement of Owner-occupancy period -- thirty (30), ninety (90), or one hundred eighty (180) days after closing]**.

(c) However, upon any default described under paragraph 5 of this Note, the principal of the Note due and owing at the time of the default shall become immediately due and payable.

(d) I will pay any amount that becomes due and payable under this Note to the Note Holder at the address below, or at a different address if I am notified of a new address:

Address for payments and inquiries:

U.S. Department of Housing and Urban Development
National Servicing Center, Attn: GNND
Williams Center, Tower II
2 W. 2nd Street, Suite 400
Tulsa, OK 74103
Fax: (918) 292-8984
Toll free customer service no. for inquiries (including payoffs): (888) 297-8685

4. OWNER-OCCUPANCY TERM

I agree to own and live in the Property as my sole residence for a term of not less than thirty-six (36) months, commencing on **[insert date of commencement of Owner-occupancy period -- thirty (30), ninety (90) or one hundred eighty days (180) days after closing]**.

5. BORROWER'S FAILURE TO PAY AS REQUIRED

Default

I will be in default if:

(a) I cease to occupy the property as my sole residence prior to the end of the 36-month Owner-occupancy period referred to in paragraph 4 of this Note, unless the Note Holder expressly elects to waive this requirement for a specified period upon an evaluation of the relevant facts and circumstances;

(b) I sell or transfer the Property prior to the end of the 36-month Owner-occupancy period without the prior written consent of the Note Holder;

(c) I violate any provision of the first or second mortgages that I executed in connection with the purchase of the Property through the Good Neighbor Next Door Program (the "Program");

(d) I violate or fail to fulfill any condition, requirement or continuing obligation under the Program as set forth in applicable notices or regulations issued by the Secretary;

(e) I falsely certify or fail to certify that I am occupying or will occupy the Property as my sole place of residence for the 36 month Owner-occupancy term; or

(f) I give false or inaccurate information or statements to the Secretary (or fail to provide the Secretary with material information) in connection with the second security instrument (“mortgage”) securing payment of this Note or in connection with any first note and mortgage, including, but not limited to, representations concerning my occupancy of the Property as my sole place of residence.

6. NOTICE OF DEFAULT/ACCELERATION OF DEBT

If I am in default under paragraph 5, the Note Holder may send me a written notice telling me that if I do not cure the default by a certain date, the Note Holder may require me to pay immediately the full amount of the outstanding principal balance due under this Note. The date of the cure must be no later than 30 days after the date on which the notice is delivered or mailed to me. Interest shall accrue on the principal as set forth in paragraph 2 of this Note, as of the date of the default notice.

7. NO WAIVER BY NOTE HOLDER

Even if, at a time when I am in default, the Note Holder does not require me to pay in full immediately and or perform as described above, the Note Holder will still have the right to do so if I am in default at a later time.

8. PAYMENT OF NOTE HOLDER’S COSTS AND EXPENSES

If the Note Holder requires me to pay immediately in full and/or perform as described above, the Note Holder will have the right to collect from me for all of its costs and expenses incurred in enforcing the provisions of this Note and its other rights to the extent not prohibited by applicable law. These expenses may include reasonable attorney’s fees.

9. GIVING OF NOTICES

(a) 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.

(b) Any notice that is to be given to the Note Holder under this Note will be given by mailing it by first class mail to the Note Holder at the address stated in paragraph 3(d) above or at a different address, if I am given notice of that different address.

10. WAIVERS

I waive the right of presentment. "Presentment" means presenting the note to the maker and demanding payment of amounts due.

11. GOVERNING LAW; SEVERABILITY

The provisions of this Note shall be governed by federal law. In the event that any provision or clause of this Note conflicts with applicable law, such provision shall not affect other provisions of the Note which can be given effect without the conflicting provision. To this end, the provisions of this Note are declared to be severable. If any provision of this note, or the application thereof to any person, place or circumstance shall be held by a court of competent jurisdiction to be invalid, unenforceable or void, the remainder of this Note and other such provisions as applied to other persons, places and circumstances shall remain in full force and effect.

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

(Borrower)

(Borrower)

[Include any required or customary form of authentication]