

## Section A. Mortgage and Note Form Exhibits

### Overview

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# 1. Exhibit 1: Model Mortgage Form

**Change Date**      March 1, 2011

**4155.2 12.A.1.a**      The following is an example of the *Model Mortgage Form*.  
**Model**  
**Mortgage Form**  
**Example (pg.1)**

FHA Case #

\_\_\_\_\_ Space Above This Line for Recording Data \_\_\_\_\_

## MORTGAGE

THE MORTGAGE (Security Instrument) is given on \_\_\_\_\_, 20\_\_\_\_. The  
\_\_\_\_\_ whose address is  
\_\_\_\_\_ (Borrower).

This Security Instrument is given to \_\_\_\_\_, which is org  
existing under the laws of \_\_\_\_\_, and whose address is  
\_\_\_\_\_ (Lender). Borrower owes Lender the principal sum of  
Dollars (U.S. \$ \_\_\_\_\_). This debt is evidenced by Borrower’s note dated the same date a  
Security Instrument (Note), which provides for monthly payments, with the full debt, if not pa  
due and payable on \_\_\_\_\_.

This Security Instrument secures to Lender: (a) the repayment of the debt evidenced by th  
interest, and all renewals, extensions and modifications of the Note; (b) the payment of all oth  
with interest, advanced under Paragraph 7 to protect the security of this Security Instrument; c  
performance of Borrower’s covenants and agreements under this Security Instrument and the  
this purpose, Borrower does hereby mortgage, warrant, grant and convey to the Lender with p  
the following described property located in \_\_\_\_\_ County, Mic  
which has the address of \_\_\_\_\_ [Street] \_\_\_\_\_ [City],  
\_\_\_\_\_ [State] \_\_\_\_\_ [Zip Code], (Property Addr

TOGETHER WITH all the improvements now or hereafter erected on the property, and a  
easements, appurtenances, and fixtures now or hereafter a part of the property. All replaceme  
additions shall also be covered by this Security Instrument. All of the foregoing is referred to  
Security Instrument as the “Property.”

BORROWER COVENANTS that borrower is lawfully seized of the estate hereby convey  
the right to mortgage, grant and convey the Property and that the Property is unencumbered, e  
encumbrances of record. Borrower warrants and will defend generally the title to the Propert  
claims and demands, subject to any encumbrances or record.

*Continued on next page*

## 1. Exhibit 1: Model Mortgage Form, Continued

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### 4155.2 12.A.1.a Model Mortgage Form Example (pg.2)

THIS SECURITY INSTRUMENT combines uniform covenants for national use and non-uniform covenants with limited variations by jurisdiction to constitute a uniform security instrument covering real property.

Borrower and Lender covenant agree as follows:

#### UNIFORM COVENANTS:

1. **Payment of Principal, Interest and Late Charge**

Borrower shall pay when due the principal of, and interest on, the debt evidenced by the Note and late charges due under the Note.

2. **Monthly Payment of Taxes, Insurance, and Other Charges**

Borrower shall include in each monthly payment, together with the principal and interest as set forth in the Note and any late charges, a sum for

(a) taxes and special assessments levied or to be levied against the Property,

(b) leasehold payments or ground rents on the Property, and

(c) premiums for insurance required under Paragraph 4. In any year in which the Lender must pay a mortgage insurance premium to the Secretary of Housing and Urban Development ("Secretary"), or in any year in which such premium would have been required if Lender still held the Security Instrument, each monthly payment shall also include either

(i) a sum for the annual mortgage insurance premium to be paid by Lender to the Secretary, or

(ii) a monthly charge instead of a mortgage insurance premium if this Security Instrument is held by the Secretary, in a reasonable amount to be determined by the Secretary. Except for the monthly charge by the Secretary, these items are called "Escrow Items" and the sums paid to Lender are called "Escrow Funds."

Lender may, at any time, collect and hold amounts for Escrow Items in an aggregate amount not to exceed the maximum amount that may be required for Borrower's escrow account under the Real Estate Settlement Procedures Act of 1974, 12 U.S.C. Sec. 2601 et seq. and implementing regulations, 24 CFR Part 3500, as they may be amended from time to time (RESPA), except that the cushion or reserve permitted by RESPA for unanticipated disbursements or disbursements before the Borrower's payments are available in the account may not be based on amounts due for the mortgage insurance premium.

If the amounts held by Lender for Escrow Items exceed the amounts permitted to be held by RESPA, Lender shall deal with the excess funds as required by RESPA. If the amounts of funds held by Lender at any time are not sufficient to pay the Escrow Items when due, Lender may notify the Borrower and require Borrower to make up the shortage as permitted by RESPA.

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## 1. Exhibit 1: Model Mortgage Form, Continued

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### 4155.2 12.A.1.a Model Mortgage Form Example (pg.3)

2. **Monthly Payment of Taxes, Insurance, and Other Charges** (continued)  
The Escrow Funds are pledged as additional security for all sums secured by this Security Instrument. If Borrower tenders to Lender the full payment of all such sums, Borrowers account shall be credited with the balance remaining for all installment items (a), (b), and (c) and any mortgage insurance premium installment that Lender has not become obligated to pay to the Secretary, and Lender shall promptly refund any excess funds to Borrower. Immediately prior to a foreclosure sale of the Property or its acquisition by Lender, Borrower's account shall be credited with any balance remaining for all installments for items (a), (b), and (c).
3. **Application of Payments**  
All payments under Paragraphs 1 and 2 shall be applied by Lender as follows:
  - First, to the mortgage insurance premium to be paid by Lender to the Secretary or to the monthly charge by the Secretary instead of the monthly mortgage insurance premium;
  - Second, to any taxes, special assessments, leasehold payments or ground rents, and fire, flood and other hazard insurance premiums, as required;
  - Third, to interest due under the Note;
  - Fourth, to amortization of the principal of the Note; and
  - Fifth, to late charges due under the Note.
4. **Fire, Flood, and Other Hazard Insurance**  
Borrower shall insure all improvements on the Property, whether now in existence or subsequently erected, against any hazards, casualties, and contingencies, including fire, for which Lender requires insurance. This insurance shall be maintained in the amounts and for the periods that Lender requires. Borrower shall also insure all improvements on the Property, whether now in existence or subsequently erected, against loss by floods to the extent required by the Secretary. All insurance shall be carried with companies approved by Lender. The insurance policies and any renewals shall be held by Lender and shall include loss payable clauses in favor of, and in a form acceptable to, Lender.  
  
In the event of loss, Borrower shall give Lender immediate notice by mail. Lender may make proof of loss if not made promptly by Borrower. Each insurance company concerned is hereby authorized and directed to make payment for such loss directly to Lender, instead of to Borrower and to Lender jointly. All or any part of the insurance proceeds may be applied by Lender, at its option, either
  - (a) to the reduction of the indebtedness under the Note and this Security Instrument, first to any delinquent amounts applied in the order in Paragraph 3, and then to prepayment of principal, or

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## 1. Exhibit 1: Model Mortgage Form, Continued

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### 4155.2 12.A.1.a Model Mortgage Form Example (pg.4)

4. **Fire, Flood, and Other Hazard Insurance** (continued)
- (b) to the restoration or repair of the damaged Property. Any application of the proceeds to the principal shall not extend or postpone the due date of the monthly payments which are referred to in Paragraph 2, or change the amount of such payments. Any excess insurance proceeds over an amount required to pay all outstanding indebtedness under the Note and this Security Instrument shall be paid to the entity legally entitled thereto.

In the event of foreclosure of this Security Instrument or other transfer of title to the Property that distinguishes the indebtedness, all right, title and interest of Borrower in and to insurance policies in force shall pass to the purchaser.

5. **Occupancy, Preservation, Maintenance and Protection of the Property; Borrower's Loan Application; Leaseholds**

Borrower shall occupy, establish, and use the Property as Borrower's principal residence within sixty days after the execution of this Security Instrument (or within sixty days of a later sale or transfer of the Property) and shall continue to occupy the Property as Borrowed principal residence for at least one year after the date of occupancy, unless Lender determines that requirement will cause undue hardship for Borrower, or unless extenuating circumstances exist which are beyond Borrower's control. Borrower shall notify Lender of any extenuating circumstances. Borrower shall not commit waste or destroy, damage or substantially change the Property or allow the Property to deteriorate, reasonable wear and tear excepted. Lender may inspect the Property if the Property is vacant or abandoned or the loan is in default. Lender may take reasonable action to protect and preserve such vacant or abandoned property. Borrower shall also be in default if borrower, during the loan application process, gave materially false or inaccurate information or statements to Lender (or failed to provide Lender with any material information) in connection with the loan evidenced by the Note, including, but not limited to, representations concerning Borrower's occupancy of the Property as a principal residence. If this Security Instrument is on a leasehold, Borrower shall comply with the provisions of the lease. If Borrower acquires fee title to the Property, the leasehold and fee title shall not be merged unless Lender agrees to the merger in writing.

6. **Condemnation**

The proceeds of any award or claim for damages, direct or consequential, in connection with any condemnation or other taking of any part of the Property, or for conveyance in place of condemnation, are hereby assigned and shall be paid to Lender to the extent of the full amount of the indebtedness that remains unpaid under the Note and this Security Instrument. Lender shall apply such proceeds to the reduction of the Indebtedness under the Note and this Security Instrument, first to any delinquent amounts applied in the order provided in Paragraph 3, and then to prepayment of principal. Any application of the proceeds to the principal shall not extend or postpone the due date of the monthly payments, which are referred to in Paragraph 2, or change the amount of such payments. Any excess proceeds over an amount required to pay all outstanding indebtedness under the Note and this Security Instrument shall be paid to the entity legally entitled thereto.

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## 1. Exhibit 1: Model Mortgage Form, Continued

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### 4155.2 12.A.1.a Model Mortgage Form Example (pg.5)

#### 7. Charges to Borrower and Protection of Lender's Rights in the Property

Borrower shall pay all governmental or municipal charges, fines and impositions that are not included in Paragraph 2. Borrower shall pay these obligations on time directly to the entity which is owed the payment. If failure to pay would adversely affect Lender's interest in the Property, upon Lender's request Borrower shall promptly furnish to Lender receipts evidencing these payments.

If Borrower fails to make these payments or the payments required by Paragraph 2, or fails to perform any other covenants and agreements contained in this Security Instrument, or there is a legal proceeding that may significantly affect Lender's rights in the Property (such as a proceeding in bankruptcy, for condemnation or to enforce laws or regulations), then Lender may do and pay whatever is necessary to protect the value of the Property and Lender's rights in the Property, including payment of taxes, hazard insurance and other items mentioned in Paragraph 2.

Any amounts disbursed by Lender under this Paragraph shall become an additional debt of Borrower and be secured by this Security Instrument. These amounts shall bear Interest from the date of disbursement at the Note rate, and at the option of Lender shall be immediately due and payable.

Borrower shall promptly discharge any lien which has priority over this Security Instrument unless Borrower:

- (a) agrees in writing to the payment of the obligation secured by the lien in a manner acceptable to Lender;
- (b) contests in good faith the lien by, or defends against enforcement of the lien in, legal proceedings which in the Lenders opinion operate to prevent the enforcement of the lien; or
- (c) secures from the holder of the lien an agreement satisfactory to Lender subordinating the lien to this Security Instrument. If Lender determines that any part of the Property is subject to a lien which may attain priority over this Security Instrument, Lender may give Borrower a notice identifying the lien. Borrower shall satisfy the lien or take one or more of the actions set forth above within 10 days of the giving of notice.

#### 8. Fees

Lender may collect fees and charges authorized by the Secretary.

#### 9. Grounds for Acceleration of Debt

- (a) **Default.** Lender may, except as limited by regulations issued by the Secretary in the case of payment defaults, require immediate payment in full of all sums secured by this Security Instrument if:
  - (i) Borrower defaults by failing to pay in full any monthly payment required by this Security Instrument prior to or on the due date of the next monthly payment, or
  - (ii) Borrower defaults by failing, for a period of thirty days, to perform any other obligations contained in this Security Instrument.

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## 1. Exhibit 1: Model Mortgage Form, Continued

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### 4155.2 12.A.1.a Model Mortgage Form Example (pg.6)

9. **Grounds for Acceleration of Debt** (continued)
- (b) **Sale Without Credit Approval.** Lender shall, if permitted by applicable law (including Section 341(d) of the Garn-St Germain Depository Institutions Act of 1982, 12 U.S.C 1701j-3(d)) and with the prior approval of the Secretary, require immediate payment in full of all sums secured by this Security Instrument if:
- (i) All or part of the Property, or a beneficial interest in a trust owning all or part of the Property, is sold or otherwise transferred (other than by devise or descent), and
  - (ii) The Property is not occupied by the purchaser or grantee as his or her principal residence, or the purchaser or grantee does so occupy the Property, but his or her credit has not been approved in accordance with the requirements of the Secretary.
- (c) **No Waiver.** If circumstances occur that would permit Lender to require immediate payment in full, but Lender does not require such payments, Lender does not waive its rights with respect to subsequent events.
- (d) **Regulations of HUD Secretary.** In many circumstances regulations issued by the Secretary will limit Lender rights, in the case of payment defaults, to require immediate payment in full and foreclose if not paid. This Security Instrument does not authorize acceleration or foreclosure if not permitted by regulations of the Secretary.
- (e) **Mortgage Not Insured [OPTIONAL].** Borrower agrees that if this Security Instrument and the Note are not determined to be eligible for insurance under the National Housing Act within \_\_\_\_\_ from the date hereof, Lender may, at its option require immediate payment in full of all sums secured by this Security Instrument. A written statement of any authorized agent of the Secretary dated subsequent to from the date hereof, declining to insure this Security Instrument and the Note, shall be deemed conclusive proof of such ineligibility. Notwithstanding the foregoing, this option may not be exercised by Lender when the unavailability of insurance is solely due to Lender's failure to remit a mortgage insurance premium to the Secretary.

*Note:* Lenders are authorized, but not required, to add Paragraph 9(e). Any period may be inserted in the two blanks, expressed either in number of days or months, which is not shorter than sixty days and not longer than eight months.

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## 1. Exhibit 1: Model Mortgage Form, Continued

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### 4155.2 12.A.1.a Model Mortgage Form Example (pg.7)

#### 10. **Reinstatement**

Borrower has a right to be reinstated if Lender has required immediate payment in full because of Borrower's failure to pay an amount due under the Note or this Security Instrument. This right applies even after foreclosure proceedings are instituted. To reinstate the Security Instrument, Borrower shall tender in a lump sum all amounts required to bring Borrowed account current including, to the extent they are obligations of Borrower under this Security Instrument, foreclosure costs and reasonable and customary attorney's fees and expenses properly associated with the foreclosure proceeding. Upon reinstatement by Borrower, this Security Instrument and the obligations that it secures shall remain in effect as if Lender had not required immediate payment in full. However, Lender is not required to permit reinstatement if:

- (i) Lender has accepted reinstatement after the commencement of foreclosure proceedings within two years immediately preceding the commencement of a current foreclosure proceeding,
- (ii) reinstatement will preclude foreclosure on different grounds in the future, or
- (iii) restatement will adversely affect the priority of the lien created by this Security Instrument.

#### 11. **Borrower Not Released; Forbearance by Lender Not a Waiver**

Extension of the time of payment or modification of amortization of the sums secured by this Security Instrument granted by Lender to any successor in interest of Borrower shall not operate to release the liability of the original Borrower or Borrower's successor in interest. Lender shall not be required to commence proceedings against any successor in interest or refuse to extend time for payment or otherwise modify amortization of the sums secured by this Security Instrument by reason of any demand made by the original Borrower or Borrower's successors in interest. Any forbearance by Lender in exercising any right or remedy shall not be a waiver of or preclude the exercise of any right or remedy.

#### 12. **Successors and Assigns Bound; Joint and Several Liability; Co-Signers**

The covenants and agreements of this Security Instrument shall bind and benefit the successors and assigns of Lender and Borrower, subject to the provisions of Paragraph 9(b). Borrowers covenants and agreements shall be joint and several. Any Borrower who co-signs this Security Instrument but does not execute the Note:

- (a) is co-signing this Security Instrument only to mortgage, grant and convey that Borrower's interest in the Property under the terms of this Security Instrument;
- (b) is not personally obligated to pay the sums secured by this Security Instrument; and
- (c) agrees that Lender and any other Borrower may agree to extend, modify, forbear or make any accommodations with regard to the term of this Security Instrument or the Note without that Borrower's consent.

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## 1. Exhibit 1: Model Mortgage Form, Continued

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### 4155.2 12.A.1.a Model Mortgage Form Example (pg.8)

#### 13. Notices

Any notice to Borrower provided for in this Security Instrument shall be given by delivering it or by mailing it by first class mail unless applicable law requires use of another method. The notice shall be directed to the Property Address or any other address Borrower designates by notice to Lender. Any notice to Lender shall be given by first class mail to Lender's address stated herein or any address Lender designates by notice to Borrower. Any notice provided for in this Security Instrument shall be deemed to have been given to Borrower or Lender when given as provided in this paragraph.

#### 14. Governing Law; Severability

This Security Instrument shall be governed by Federal law and the law of the jurisdiction in which the Property is located. In the event that any provision or clause of this Security Instrument or the Note conflicts with applicable law, such conflict shall not affect other provisions of this Security Instrument or the Note which can be given effect without the conflicting provision. To this end, the provisions of this Security Instrument and the Note are declared to be severable.

#### 15. Borrower's Copy

Borrower shall be given one conformed copy of the Note and of this Security Instrument.

#### 16. Hazardous Substances

Borrower shall not cause or permit the presence, use, disposal, storage, or release of any Hazardous Substances on or in the Property. Borrower shall not do, nor allow anyone else to do, anything affecting the Property that is in violation of any Environmental law. The preceding two sentences shall not apply to the presence, use, or storage on the Property of small quantities of Hazardous Substances that are generally recognized to be appropriate to normal residential uses and to maintenance of the Property.

Borrower shall promptly give Lender written notice of any Investigation, claim, demand, lawsuit or other action by any governmental or regulatory agency or private party involving the Property and any Hazardous Substance or Environmental Law of which Borrower has actual knowledge. If Borrower learns, or is notified by any governmental or regulatory authority, that any removal or other remediation of any Hazardous Substances affecting the Property is necessary, Borrower shall promptly take all necessary remedial actions in accordance with Environmental Law.

As used in this paragraph 16, "Hazardous Substances" are those substances defined as toxic or hazardous substances by Environmental law and the following substances: gasoline, kerosene, other flammable or toxic petroleum products, toxic pesticides and herbicides, volatile solvents, materials containing asbestos or formaldehyde, and radioactive materials. As used in the paragraph 16, "Environmental law" means federal laws and laws of the jurisdiction where the Property is located that relate to health, safety or environmental protection.

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## 1. Exhibit 1: Model Mortgage Form, Continued

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### 4155.2 12.A.1.a Model Mortgage Form Example (pg.9)

**NON-UNIFORM COVENANTS.** Borrower and Lender further covenant and agree as follows:

#### 17. Assignment of Rents

**Use the following language unless prohibited by state law:**

Borrower unconditionally assigns and transfers to Lender all the rents and revenues of the Property. Borrower authorizes Lender or Lender agents to collect the rents and revenues and hereby directs each tenant of the Property to pay the rents to Lender or Lender agents. However, prior to Lender notice to Borrower of Borrower's breach of any covenant or agreement in the Security Instrument, Borrower shall collect and receive all rents and revenues of the Property as trustee for the benefit of Lender and Borrower. This assignment of rents constitutes an absolute assignment and not an assignment for additional security only.

If Lender gives notice of breach to Borrower:

- (a) all rents received by Borrower shall be held by Borrower as trustee for benefit of Lender only, to be applied to the sums secured by the Security Instrument,
- (b) Lender shall be entitled to collect and receive all of the rents of the Property, and
- (c) each tenant of the Property shall pay all rents due and unpaid to Lender or Lender agent on Lender's written demand to the tenant.

Borrower has not executed any prior assignment of the rents and has not and will not perform any act that would prevent Lender from exercising its rights under this Paragraph 17.

Lender shall not be required to enter upon, take control of or maintain the Property before or after giving notice of breach to Borrower. However, Lender or a judicially appointed receiver may do so at any time there is a breach. Any application of rents shall not cure or waive any default or invalidate any other right or remedy of Lender. This assignment of rents of the Property shall terminate when the debt secured by the Security Instrument is paid in full.

*Note:* If changes are necessary to create an assignment of rents enforceable under state law, the lender should make necessary changes but the revised paragraph should grant the lender the maximum interest in rents permitted by law.

#### 18. Foreclosure Procedure

**For illustration only. The text needs state adaptation, as provided in 4155.2 6.B.2.d.**

If Lender requires immediate payment in full under Paragraph 9, Lender may invoke the power of sale and any other remedies permitted by applicable law. Lender shall be entitled to collect all expenses incurred in pursuing the remedies provided in this Paragraph 18, including, but not limited to, reasonable attorney's fees and costs of title evidence.

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# 1. Exhibit 1: Model Mortgage Form, Continued

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**4155.2 12.A.1.a  
Model  
Mortgage Form  
Example  
(pg.10)**

**18. Foreclosure Procedure** (continued)

If Lender invokes the power of sale, Lender shall give notice of sale to Borrower in the manner provided in Paragraph 13. Lender shall publish and post the notice of sale, and the Property shall be sold in the manner prescribed by applicable law. Lender or its designee may purchase the Property at any sale. The proceeds of the sale shall be applied in the following order:

- (a) to all expenses of the sale, including, but not limited to, reasonable attorney's fees;
- (b) to all sums secured by this Security Instrument; and
- (c) any excess to the person or persons legally entitled to it.

**The following language is mandatory in all cases:**

If the Lender's interest in this Security Instrument is held by the Secretary and the Secretary requires immediate payment in full under Paragraph 9, the Secretary may invoke the nonjudicial power of sale provided in the Single Family Mortgage Foreclosure Act of 1994 ("Act") (12 U.S.C 3751 et seq.) by requesting a foreclosure commissioner designated under the Act to commence foreclosure and to sell the Property as provided in the Act. Nothing in the preceding sentence shall deprive the Secretary of any rights otherwise available to a Lender under this Paragraph 18 or applicable law.

**State Specific Paragraphs**

Add any state-specific paragraphs in accordance with instructions for completing the *Model Mortgage Form*, and the current edition of HUD 4155.2.

Number the following as the final paragraph or leave unnumbered but place after numbered paragraphs.

**Riders to This Security Instrument**

If one or more riders are executed by Borrower and recorded together with this Security Instrument, the covenants of each such rider shall be incorporated into and shall amend and supplement the covenants and agreements of this Security Instrument as if the rider(s) were a part of this Security Instrument. [Check applicable box(es)].

- Condominium Rider     Growing Equity Rider     Other [specify]
- Planned Unit Development Rider     Graduated Payment Rider

BY SIGNING BELOW, Borrower accepts and agrees to the terms contained in this Security Instrument and in any rider(s) executed by Borrower and recorded with it.

Witnesses:

_____	_____ (SEAL)
	Borrower
_____	_____ (SEAL)
	Borrower

\_\_\_\_\_ [Space Below This Line for Acknowledgement] \_\_\_\_\_

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## 2. Instructions for Completing the Model Mortgage Form

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**Introduction** This topic provides instructions for completing the *Model Mortgage Form*, including

- form and content of the security instrument
  - language preceding uniform covenants
  - uniform covenants
  - non-uniform covenants
  - paragraph 18 instructions
  - instructions for additional paragraphs, and
  - signatures on the Model Mortgage Form.
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**Change Date** March 24, 2011

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**4155.2 12.A.2.a Form and Content of the Security Instrument** HUD requires that a security instrument follow the form and content of the approved Fannie Mae/Freddie Mac (FNMA/FHLMC) security instrument for the jurisdiction, except where HUD has determined that differences are needed to reflect HUD policy and practice.

**Reference:** For more information on mortgage and note forms, see [HUD 4155.2 6.B.](#)

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**4155.2 12.A.2.b Language Preceding Uniform Covenants** The lender should use [FNMA/FHLMC](#) language, but add a box for the FHA Case Number, as shown on the *Model Mortgage Form*.

The language in the *Model Mortgage Form* is an example using text for Michigan. The form may include variations to the standard language that have been approved by FNMA/FHLMC.

The format and language for Maine and New York, where FNMA and FHLMC approved “plain English” forms, should be based on FNMA/FHLMC forms for other states, provided that the language conforms to applicable law.

**Reference:** For more information on requirements for Maine and New York, see [HUD 4155.2 6.B.5.g.](#)

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## 2. Instructions for Completing the Model Mortgage Form,

Continued

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**4155.2 12.A.2.c**  
**Uniform**  
**Covenants**

The lender should designate the paragraphs preceding Paragraph 17, “*Assignment of Rents*” as *Uniform Covenants*.

Use the text as presented in the *Model Mortgage Form* without any change. Do *not* substitute [FNMA/FHLMC](#) language. If a change to the text is needed to meet the requirements of state or local law, or practice, obtain written approval from HUD before making the change.

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**4155.2 12.A.2.d**  
**Non-Uniform**  
**Covenants**

The lender should designate the paragraphs beginning with Paragraph 17, “*Assignment of Rents*” as *Non-Uniform Covenants*.

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## 2. Instructions for Completing the Model Mortgage Form,

Continued

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### 4155.2 12.A.2.e Paragraph 18 Instructions

The lender should adapt [FNMA/FHLMC](#) Paragraph 18, “*Foreclosure Procedures*” in the jurisdiction, to reflect HUD policy. The *Model Mortgage Form* contains adapted language for Michigan.

Following the phrase, “*If Lender requires immediate payment in full under Paragraph 9,*” use the current approved [FNMA/FHLMC](#) foreclosure procedures, including language regarding payment of costs, such as attorney’s fees, as a guide and adapt as necessary.

Omit language regarding notice and acceleration. For Maine and New York, use foreclosure language based on these instructions, and other FNMA/FHLMC forms that are not “plain English”, provided that the language authorizes foreclosure in conformance with applicable law.

The mortgage must include the lender’s right to a public sale of property, including a power of sale, if legally permissible under the law of the jurisdiction in which the property is located, even if mortgages are usually foreclosed through a judicial proceeding.

All rights to a deficiency must be preserved to the extent legally permissible, except as provided in special instructions for Iowa, North Dakota, or Wisconsin.

New language is required at the end of Paragraph 18 regarding the new Single Family Mortgage Foreclosure Act, which provides an alternative foreclosure procedure under Federal law.

**Reference:** For more information on special requirements for specific states and localities, see [HUD 4155-2 6.B.5](#).

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## 2. Instructions for Completing the Model Mortgage Form, Continued

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### 4155.2 12.A.2.f Instructions for Additional Paragraphs

Paragraphs following Paragraph 18 should contain provisions required to adapt the mortgage to the laws and practices of the particular jurisdiction in which the property is located.

The text of these paragraphs should be the same as the [FNMA/FHLMC](#) non-uniform covenants for the jurisdiction in which the property is located. Changes to the FNMA/FHLMC paragraphs, and additional material, may be included if needed, to conform to requirements of state law or practice.

The lender should use the language in the paragraph titled “*Riders to this Security Instrument*” as shown in the *Model Mortgage Form*, not as shown in the [FNMA/FHLMC](#) forms.

Any special language or notices required by applicable law should follow the non-uniform covenants, using the FNMA/FHLMC form for the jurisdiction as a guide.

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### 4155.2 12.A.2.g Signatures on the Model Mortgage Form

For signatures and other authorizations, the lender should use the [FNMA/FHLMC](#) format at the end of the mortgage, with the following exceptions:

- Witness lines may be omitted if state and local law do not require witnesses for mortgages.
  - HUD does not require the Borrower’s Social Security Number to appear on the mortgage.
-

### 3. Exhibit 2: Model Note Form

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**Change Date**      March 24, 2011

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**4155.2 12.A.3.a**      The following is an example of the *Model Note Form*.  
**Model Note**  
**Form Example**

FHA

NOTE

[Date]

[Property Address]

**A****1. Parties**

“Borrower” means each person signing at the end of this Note, and the person’s successors, heirs, assigns, and assigns. “Lender” means and its successors; and assigns.

**2. Borrower’s Promise to Pay; Interest**

In return for a loan received from Lender, Borrower promises to pay the principal of \_\_\_\_\_ Dollars (U.S. \$\_\_\_\_\_), plus interest, to the order of Lender. Interest will be charged on the principal, from the date of disbursement of the loan proceeds by lender, at the rate of \_\_\_\_\_ percent (\_\_\_\_%) per year until the full amount of principal has been paid.

**3. Promise to Pay Secured**

Borrower’s promise to pay is secured by a mortgage, deed of trust or similar security instrument dated the same date as this Note and called the “Security Instrument.” The Security Instrument protects the lender from losses which might result if Borrower defaults under this Note.

**4. Manner of Payment****(A) Time**

Borrower shall make a payment of principal and interest to Lender on the first day of each month beginning on \_\_\_\_\_, 20\_\_\_. Any principal and interest remaining on the \_\_\_\_\_, 20\_\_ will be due on that date, which is called the maturity date.

**(B) Place**

Payment shall be made at \_\_\_\_\_ as Lender may designate in writing by notice to Borrower.

---

## 4. Exhibit 3: Model Adjustable Rate Note Form

**Change Date**      March 24, 2011

**4155.2 12.A.4.a Model Adjustable Rate Note Form Example**      The following is an example of the *Model Adjustable Rate Note Form*.

FHA

### ADJUSTABLE RATE NOTE

[Date]

[Property Address]

**1. Parties**

“Borrower” means each person signing at the end of this Note, and the person’s successors and assigns. “Lender” means and its Successors and assigns.

**2. Borrower’s Promise to Pay; Interest**

In return for a loan received from Lender, Borrower promises to pay the principal of \_\_\_\_\_ Dollars (U.S. \$\_\_\_\_), plus interest, to the order of Lender. Interest will be charged on the principal, from the date of disbursement of the loan proceeds by Lender, at a rate of \_\_\_\_\_ per year until the full amount of principal has been paid. The interest rate may change in accordance with Paragraph 5(C) of this Note.

**3. Promise to Pay Secured**

Borrower’s promise to pay is secured by a mortgage, deed of trust or similar security instrument dated the same date as this Note and called the “Security Instrument.” That Security Instrument protects the Lender from losses which might result if Borrower defaults under this Note.

**4. Manner of Payment**

**(A) Time**

Borrower shall make a payment of principal and interest to Lender on the first day of each month beginning on \_\_\_\_\_, 20\_\_\_. Any principal and interest remaining unpaid on \_\_\_\_\_, 20\_\_\_, will be due on that date, which is called the maturity date.

**Notes:**

- For Maryland, the Note may be amended if the borrower does not voluntarily elect to pay a higher interest rate at closing.

*Continued on next page*

#### 4. Exhibit 3: Model Adjustable Rate Note Form, Continued

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**4155.2 12.A.4.b** The lender should include any required or customary form or authentication.  
**Additional Information About the Model Adjustable Rate Note Form**

The model form is a multistate form which must be adapted for some jurisdictions to reflect the laws and practices of the particular jurisdiction in which the property is located.

The form should not be adapted for jurisdictions in which the multistate version of the [FNMA/FHLMC](#) note is used. For other jurisdictions, adaptations should generally follow the corresponding provisions in the FNMA/FHMLC note form approved for use in the jurisdiction, with any additional adaptations that may be necessary to conform to requirements of law and practices in the jurisdiction.

For Puerto Rico, see the special instructions in [HUD 4155.2 6.B.5](#).

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## 5. Exhibit 4: Graduated Payment Rider

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**Change Date**      May 10, 2009

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**4155.2 12.A.5.a**      The following is an example of the *Graduated Payment Rider*.  
**Graduated**  
**Payment Rider**  
**Example**

THIS GRADUATED PAYMENT RIDER is made this \_\_\_\_\_  
 \_\_\_\_\_, 20\_\_, and is incorporated into and shall be deemed to amend:  
 the Mortgage, Deed of Trust or Security Deed (Security Instrument) of the same  
 the undersigned \_\_\_\_\_ (Borrower) to secure B  
 \_\_\_\_\_ (Lender) of the same date  
 covering the property described in the Security Instrument and located at:

[Property Address]

**THIS NOTE PROVIDES FOR DEFERRED INTEREST AND INCREASED  
 INSTALLMENTS ACCORDING TO A SCHEDULE IN THE NOTE. DEFERRED  
 INTEREST MAY INCREASE THE PRINCIPAL BALANCE TO \_\_\_\_\_  
 DOLLARS (u.s. \$\_\_\_\_\_.)**

The payment schedule in the Note is as follows:

\$ \_\_\_\_\_ during the 1st note year.  
 \$ \_\_\_\_\_ during the 2nd note year.  
 \$ \_\_\_\_\_ during the \_\_\_\_\_ note year and thereafter.

BY SIGNING BELOW, Borrower accepts and agrees to the terms and covenants of  
 this Graduated Payment Rider.

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

[ADD ANY NECESSARY ACKNOWLEDGEMENT PROVISIONS]

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*Continued on next page*

## 5. Exhibit 4: Graduated Payment Rider, Continued

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**4155.2 12.A.5.b  
Additional  
Instructions for  
the Graduated  
Payment Rider**

***Completing the Principal Balance Text***

When completing the text "... the PRINCIPAL BALANCE TO \_\_\_\_\_ DOLLARS (U.S. \$\_\_\_\_.)", insert the maximum principal balance, not the amount by which the principal balance may be increased.

***Completing the Note text***

In the text "during the \_\_\_\_\_ note year and thereafter," complete the schedule until payments stop increasing.

This paragraph is optional, and should be included if required by state law or as otherwise needed to ensure the enforceability and priority of the mortgage.

Lenders may use the exact note text as provided in this document.

---

## 6. Exhibit 5: Graduated Payment Allonge Amending Note

**Change Date**      May 10, 2009

**4155.2 12.A.6.a  
Graduated  
Payment  
Allonge  
Amending Note**      The following is an example of the Graduated Payment Allonge Amending Note.

THIS GRADUATED PAYMENT ALLONGE is an AMENDMENT made this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, and is incorporated into and shall amend and supplement the Note (Note) of the same date, given by the undersigned (Borrower) in evidence of Borrower's indebtedness to \_\_\_\_\_ (Lender), which indebtedness is secured by a Mortgage, Deed of Trust or Security Deed Instrument) of the same date and covering the property described in the Security Instrument at:

[Property Address]

Notwithstanding anything to the contrary set forth in the Note, Borrower hereby agrees:

1. AS AMENDED, THE NOTE PROVIDES FOR DEFERRED INTEREST AND DEFERRED MONTHLY INSTALLMENTS. DEFERRED INTEREST SHALL BE ADDED TO THE PRINCIPAL MONTHLY AND SHALL INCREASE THE PRINCIPAL BALANCE BY MORE THAN \_\_\_\_\_ DOLLARS (U.S. \$\_\_\_\_\_)

2. The payment amount in Paragraph 4(C) of the Note is applicable only during the first year of the schedule of monthly payments of principal and interest is as follows:

- \$ \_\_\_\_\_ during the 1st note year.
- \$ \_\_\_\_\_ during the 2nd note year.
- \$ \_\_\_\_\_ during the 3rd note year.
- \$ \_\_\_\_\_ during the 4th note year.
  
- \$ \_\_\_\_\_ during the \_\_\_\_\_ note year and thereafter.

BY SIGNING BELOW, Borrower accepts and agrees to the terms and covenants contained in this Amendment.

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

*Continued on next page*

## 6. Exhibit 5: Graduated Payment Allonge Amending Note, Continued

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**4155.2 12.A.6.b  
Additional  
Instructions for  
the Graduated  
Payment  
Allonge  
Amending Note**

***Completing the Principal Balance Text***

When completing the text "... the PRINCIPAL BALANCE TO NOT MORE THAN \_\_\_\_ DOLLARS (U.S. \$\_\_\_\_.)", insert the maximum principal balance, not the amount by which the principal balance may be increased.

***Completing the Note text***

In the text "during the \_\_\_\_\_ note year and thereafter," complete the schedule until payments stop increasing, through the

- sixth note year for Plans I, II, and III, and
  - eleventh note year for Plans IV and V.
-

## 7. Exhibit 6: Growing Equity Allonge Amending Note

**Change Date**      May 10, 2009

**4155.2 12.A.7.a**      The following is an example of the *Growing Equity Allonge Amending Note*.  
**Growing**  
**Equity Allonge**  
**Amending Note**  
**Example**

THIS GROWING EQUITY ALLONGE is an AMENDMENT made this \_\_\_\_\_, 20\_\_, and is incorporated into and shall be deemed to amend and supplement the \_\_\_\_\_ Note (Note) of the same date, given by the undersigned (Borrower) to evidence indebtedness to \_\_\_\_\_ (Lender), which indebtedness is secured by the \_\_\_\_\_ Mortgage, Deed of Trust or Security Deed (Security Instrument) of the same date and located at the property described in the Security Instrument and located at:

[Property Address]

Notwithstanding anything to the contrary set forth in the Note, Borrower hereby agrees to the following:

1. AS AMENDED, THE NOTE PROVIDES FOR INCREASING MONTHLY INSTALLMENTS.
2. The payment amount in Paragraph 4 (C) of the Note is applicable only during the first year. This schedule of monthly payments of principal and interest is as follows:
  - \$ \_\_\_\_\_ during the 1st note year.
  - \$ \_\_\_\_\_ during the 2nd note year.
  - \$ \_\_\_\_\_ during the 3rd note year.
  - \$ \_\_\_\_\_ during the 4th note year.
 (Continue this schedule for each of the remaining note years.)

BY SIGNING BELOW, Borrower accepts and agrees to the terms and conditions set forth in this Amendment.

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

## 8. Exhibit 7: Condominium Rider

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**Change Date**      May 10, 2009

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**4155.2 12.A.8.a  
Condominium  
Rider Example  
(Pg. 1)**

The following is an example of the *Condominium Rider*.

THIS CONDOMINIUM RIDER is made this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, incorporated into and shall be deemed to amend and supplement the Mortgage, Deed of Trust Deed {Security Instrument} of the same date given by the undersigned (Borrower) to secure Note (Note) to \_\_\_\_\_ (Lender) of the same date and covering Property described in the Security Instrument and located at:

[Property Address]

The Property includes a unit in, together with an undivided interest in the common elements of a condominium project known as:

[Name of Condominium Project]

(Condominium Project). If the owners association or other entity which acts for the Condominium (Owners Association) holds title to property for the benefit or use of its members or shareholders, the Property also includes Borrower's interest in the Owners Association and the uses, proceeds and income of Borrower's interest.

**CONDOMINIUM COVENANTS.** In addition to the covenants and agreements made in this Security Instrument, Borrower and Lender further covenant and agree as follows:

A. So long as the Owners Association maintains, with a generally accepted insurance carrier, a "blanket" policy insuring all property subject to the condominium documents, including improvements now existing or hereafter erected on the Property, and such policy is satisfactory to Lender and provides insurance coverage in the amounts, for the periods, and against the risks that the lender requires, including fire and other hazards included within the term "extended coverage" or "loss by flood, to the extent required by the Secretary, then:

- (i) Lender waives the provision in Paragraph 2 of this Security Instrument for the month to month payment to Lender of one-twelfth of the yearly premium installments for hazard insurance on the Property and

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*Continued on next page*

## 8. Exhibit 7: Condominium Rider, Continued

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**4155.2 12.A.8.a  
Condominium  
Rider Example  
(Pg. 2)**

**CONDOMINIUM COVENANTS (A) (continued)**

- (ii) Borrower’s obligation under Paragraph 4 of this Security Instrument to maintain hazard insurance coverage on the Property is deemed satisfied to the extent that the required coverage is provided by the Owners Association policy. Borrower shall give Lender prompt notice of any lapse in required hazard insurance coverage and of any loss occurring from a hazard. In the event of a distribution of hazard insurance proceeds in lieu of restoration or repair following a loss to the Property, whether to the condominium unit or to the common elements, any proceeds payable to Borrower are hereby assigned and shall be paid to Lender for application to the sums secured by this Security Instrument, with any excess paid to the entity legally entitled thereto.
  
- B. Borrower promises to pay all dues and assessments imposed pursuant to the legal instruments creating and governing the Condominium Project.
  
- C. If Borrower does not pay condominium dues and assessments when due, then Lender may pay them. Any amounts disbursed by Lender under this paragraph C shall become additional debt of Borrower secured by the Security Instrument. Unless Borrower and Lender agree to other terms of payment, these amounts shall bear interest from the date of disbursement at the Note rate and shall be payable, with interest, upon notice from Lender to Borrower requesting payment.

BY SIGNING BELOW, Borrower accepts and agrees to the terms and provisions contained in this Condominium Rider.

\_\_\_\_\_ (SEAL)  
Borrower

\_\_\_\_\_ (SEAL)  
Borrower

[ADD ANY NECESSARY ACKNOWLEDGEMENT PROVISIONS.]

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## 9. Exhibit 8: Rehabilitation Loan Rider

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**Change Date**      May 10, 2009

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**4155.2 12.A.9.a  
Rehabilitation  
Loan Rider  
Example (Pg. 1)**      The following is an example of the *Rehabilitation Loan Rider*.

THIS REHABILITATION LOAN RIDER is made this \_\_\_\_\_ day of \_\_\_\_\_ is incorporated into and shall be deemed to amend and supplement the Mortgage, Deed or Security Deed (Security Instrument) of the same date given by the undersigned (Borrower) to \_\_\_\_\_ (Lender) of the \_\_\_\_\_ (City) and covering the property described in the Security Instrument and located at:

[Property Address]

**ADDITIONAL COVENANTS.** In addition to the covenants and agreements in the Security Instrument, Borrower and Lender further covenant and agree as follows:

- A. Loan proceeds are to be advanced for the premises in accordance with the Rehabilitation Loan Agreement dated \_\_\_\_\_, 20\_\_, between Borrower and Lender. This Agreement is incorporated by reference and made a part of this Security Instrument. No advance shall be made unless approved by the Secretary of Housing and Urban Development or a Rehabilitation Endorsement Underwriter.
- B. If the rehabilitation is not properly completed, performed with reasonable diligence, or discontinued at any time except for strikes or lockouts, the Lender is vested with authority to take the necessary steps to protect the rehabilitation improvements and the property from harm, continue existing contracts or enter into necessary contracts to complete the rehabilitation. All sums expended for such protection, exclusive of the advances for principal indebtedness, shall be added to the principal indebtedness, and secured by this Security Instrument and be due and payable on demand with interest as set out in the Rehabilitation Loan Agreement.
- C. If Borrower fails to perform any obligation under the loan, including the commencement, progress and completion provisions of the Rehabilitation Loan Agreement, and such failure continues for a period of 30 days, the loan shall, at the option of Lender, be in default.
- D. The Property covered by this Security Instrument shall include all of Borrower's funds held by Lender in escrow under the Rehabilitation Loan Agreement.

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*Continued on next page*

## 9. Exhibit 8: Rehabilitation Loan Rider, Continued

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**4155.2 12.A.9.a  
Rehabilitation  
Loan Rider  
Example (Pg. 2)**

BY SIGNING BELOW, Borrower accepts and agrees to the terms and covenants contained in this Rehabilitation Loan Rider.

\_\_\_\_\_(SEAL)  
Borrower

\_\_\_\_\_(SEAL)  
Borrower

[ADD ANY NECESSARY ACKNOWLEDGEMENT PROVISIONS.]

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## 10. Exhibit 9: Planned Unit Development Rider

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**Change Date**      May 10, 2009

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**4155.2**  
**12.A.10.a**  
**Planned Unit**  
**Development**  
**Rider Example**  
**(Pg. 1)**

The following is an example of the *Planned Unit Development Rider*.

THIS PLANNED UNIT DEVELOPMENT RIDER is made this \_\_\_\_\_ day of \_\_\_\_\_ is incorporated into and shall be deemed to amend and supplement the Mortgage, Deed of Trust Security Deed (Security Instrument) of the same date given by the undersigned (Borrower) to Borrower's Note (Note) to \_\_\_\_\_ "Lender" of the same date and covering the Property described in the Security Instrument and located at:

[Property Address]

The Property Address is a part of a planned unit development (PUD) known as

[Name of Planned Unit Development]

**PUD COVENANTS.** In addition to the covenants and agreements made in the Security Instrument, Borrower and Lender further covenant and agree as follows:

- A. So long as the Owners Association (or equivalent entity holding title to common areas and acting as trustee for the homeowners, maintains, with a generally accepted insurance carrier "master" or "blanket" policy insuring the property located in the PUD, including all improvements now existing or hereafter erected on the mortgaged premises, and such policy is satisfactory and provides insurance coverage in the amounts, for the periods, and against the hazards Lender requires, including fire and other hazards included within the term "extended coverage," as defined in the policy, to the extent required by the Secretary, then:
- (i) Lender waives the provision in Paragraph 2 of this Security Instrument for the monthly payment to Lender of one-twelfth of the yearly premium installments for hazard insurance on the Property and
  - (ii) Borrower's obligation under Paragraph 4 of this Security Instrument to maintain hazard insurance coverage on the Property is deemed satisfied to the extent that the required coverage is provided by the Owners Association policy.

Borrower shall give Lender prompt notice of any lapse in required hazard insurance coverage or any loss occurring from a hazard. In the event of a distribution of hazard insurance proceeds for restoration or repair following a loss to the Property or to common areas and facilities of the Property, any proceeds payable to Borrower are hereby assigned and shall be paid to Lender for application of the sums secured by this Security Instrument, with any excess paid to the entity legally entitled thereto:

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*Continued on next page*

## 10. Exhibit 9: Planned Unit Development Rider, Continued

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**4155.2**  
**12.A.10.a**  
**Planned Unit**  
**Development**  
**Rider Example**  
**(Pg. 2)**

**PUD COVENANTS** (continued)

- B. Borrower promises to pay all dues and assessments imposed pursuant to the legal instruments creating and governing the PUD.
- C. If Borrower does not pay PUD dues and assessments when due, then Lender may pay them. Any amounts disbursed by Lender under this paragraph C shall become additional debt of Borrower secured by the Security Instrument. Unless Borrower and Lender agree to other terms of payment, these amounts shall bear interest from the date of disbursement at the Note rate and shall be payable, with interest, upon notice from Lender to Borrower requesting payment.

BY SIGNING BELOW, Borrower accepts and agrees to the terms and provisions contained in this PUD Rider.

\_\_\_\_\_  
Borrower (SEAL)

\_\_\_\_\_  
Borrower (SEAL)

[ADD ANY NECESSARY ACKNOWLEDGEMENT PROVISIONS.]

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## 11. Exhibit 10: Tax-Exempt Financing Rider

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**Change Date**      March 24, 2011

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**4155.2**  
**12.A.11.a**  
**Tax-Exempt**  
**Financing**  
**Rider Example**  
**(Pg.1)**

The following is an example of the *Tax-Exempt Financing Rider*.

THIS TAX-EXEMPT FINANCING RIDER is made this \_\_\_\_\_ day of \_\_\_\_\_ incorporated into and shall be deemed to amend and supplement the Mortgage, Deed of Trust Deed (Security Instrument) of the same date given by the undersigned (Borrower) to secure Note (Note) to \_\_\_\_\_ (Lender) of the same date and covering \_\_\_\_\_ described in the Security Instrument and located at:

[Property Address]

**ADDITIONAL COVENANTS.** In addition to the covenants and agreements made in the Instrument, Borrower and Lender further covenant and agree to amend Paragraph 9 of the Instrument, entitled "Grounds for Acceleration of Debt," by adding additional grounds for follows:

Lender, or such of its successors or assigns as may by separate instrument assume responsibility for assuring compliance by the Borrower with the provisions of this Tax-Exempt Financing Rider, shall require immediate payment in full of all sums secured by this Security Instrument if:

- (a) All or part of the Property is sold or otherwise transferred by Borrower to a purchaser or transferee:
  - (i) Who cannot reasonably be expected to occupy the property as a principal residence for a reasonable time after the sale or transfer, all as provided in Section 143(c) and (i) of the Internal Revenue Code; or
  - (ii) Who has had a present ownership interest in a principal residence during any part of a year period ending on the date of the sale or transfer, all as provided in Section 143(d) of the Internal Revenue Code (except that "100 percent" shall be substituted for "more" where the latter appears in Section 143(d)(1)); or
  - (iii) At an acquisition cost which is greater than 90 percent of the average area purchase price (greater than 110 percent for targeted area residences), all as provided in Section 143(e) of the Internal Revenue Code; or
  - (iv) Who has a gross family income in excess of the applicable median family income for the area, all as provided in Section 143(f) and (i)(2) of the Internal Revenue Code; or

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*Continued on next page*

# 11. Exhibit 10: Tax-Exempt Financing Rider, Continued

**4155.2**  
**12.A.11.a**  
**Tax-Exempt**  
**Financing**  
**Rider Example**  
**(Pg.2)**

**ADDITIONAL COVENANTS (a) (continued)**

- (b) Borrower fails to occupy the property described in the Security Instrument without prior written consent of Lender or its successors or assigns described at the beginning of this Tax-Exempt Financing Rider; or
- (c) Borrower omits or misrepresents a fact that is material with respect to the provisions of Section 143 of the Internal Revenue Code in an application for the loan secured by this Security Instrument.

References are to the Internal Revenue Code as amended and in effect on the date of issuance of bonds, the proceeds of which will be used to finance the purchase of the Security Instrument and are deemed to include the implementing regulations.

BY SIGNING BELOW, Borrower accepts and agrees to the terms and covenants contained in this Tax-Exempt Financing Rider.

\_\_\_\_\_  
(SEAL)  
Borrower

\_\_\_\_\_  
(SEAL)  
Borrower

[ADD ANY NECESSARY ACKNOWLEDGEMENT PROVISIONS.]

**4155.2**  
**12.A.11.b**  
**Note on**  
**Paragraph (c)**  
**Sentence 2**

The description of the bonds should be amended as needed, if the bond proceeds are used for purposes other than the mortgage purchase, such as for

- direct loans to homeowners, or
- loans to lenders who lend to borrowers.

## 12. Exhibit 11: Rider for Section 248 Mortgage

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**Change Date**      May 10, 2009

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**4155.2**  
**12.A.12.a**  
**Rider for**  
**Section 248**  
**Mortgage**  
**Example (Pg. 1)**

The following is an example of the *Rider for Section 248 Mortgage*.

THIS RIDER FOR SECTION 248 MORTGAGE is made this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_, and is incorporated into and shall be deemed to amend and supplement the Mortgage, Deed of Trust or Security Deed (Security Instrument) of the same date given and signed by the undersigned (Borrower) to secure Borrower's Note (Note) to \_\_\_\_\_ (Lender) of the same date and covering the property described in the Security Instrument located at:

[Property Address]

**ADDITIONAL COVENANTS.** In addition to the covenants and agreements made in the Security Instrument, Borrower and Lender further covenant and agree as follows:

- A. The interests of the Borrower in the property described above were created by a lease agreement from \_\_\_\_\_ as lessor dated \_\_\_\_\_, 20\_\_, and reference to the "Property" shall be construed as referring only to the interest of Borrower created by such lease or any replacement lease.
- B. If the Security Instrument is assigned to the Secretary of Housing and Urban Development (Secretary), any foreclosure proceeding may take place in a tribal court, Federal district court, or other court of competent jurisdiction. Section 248(f)(5) of the National Housing Act grants to any such court the jurisdiction to convey to the Secretary the remaining lease on the property and to order eviction of the delinquent Borrower.
- C. Any purchaser at foreclosure sale other than the Secretary must receive the written consent of the lessor or, if lessor is not an Indian tribe, the tribe of which lessor is a member. If the purchaser shall receive a lease for the remaining term of the existing lease unless the lessor consents to an assumption of the existing lease.
- D. This Security Instrument may be assumed, subject to credit approval by the Lender and the consent of the tribe to an assumption of the existing lease or the grant of the new lease. Assumption shall not cause any adjustment of the interest rate.

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*Continued on next page*

## 12. Exhibit 11: Rider for Section 248 Mortgage, Continued

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**4155.2**  
**12.A.12.a**  
**Rider for**  
**Section 248**  
**Mortgage**  
**Example (Pg. 2)**

E. A sale of property subject to the Security Instrument without an assumption of the Security Instrument may be made if a new lease for the remaining term of the existing lease is granted.

BY SIGNING BELOW, Borrower accepts and agrees to the terms and covenants in this Rider for Section 248 Mortgage.

\_\_\_\_\_(SEAL)  
Borrower

\_\_\_\_\_(SEAL)  
Borrower

[ADD ANY NECESSARY ACKNOWLEDGEMENT PROVISIONS.]

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### 13. Exhibit 12: Rider for Section 247 Mortgage

Change Date May 10, 2009

**4155.2  
12.A.13.a  
Rider for  
Section 247  
Mortgage  
Example**

The following is an example of the *Rider for Section 247 Mortgage*.

IT IS HEREBY agreed that the lease to which this rider is attached is hereby amended as follows:

Notwithstanding any provisions to the contrary, this lease may serve as security for a mortgage insured or held by the Secretary of the Department of Housing and Urban Development. The following shall apply during such time as the lease serves as such security:

- (1) Any condemnation compensation due the Lessee shall be paid to the mortgagee in the same manner as condemnation proceeds under the terms of the mortgage.
- (2) Assignment of this lease is restricted to those persons who have received certification from the Department of Hawaiian Home Lands certifying that the assignee or assignees are as defined in Section 247 of the National Housing Act.
- (3) The Lessor will not cancel this lease without the consent of the Department of Housing and Urban Development.
- (4) Any casualty insurance proceeds are to be applied in accordance with the provisions of the mortgage.

IN WITNESS WHEREOF, the parties have executed this rider to acknowledge the attachment to said lease and the annotation of said lease with the following statement:

Additional provisions pertaining to the lease when the lease serves as security for a mortgage held by the Secretary of Housing and Urban Development are contained in the Department of Hawaiian Home Lands Mortgage Insurance Program Rider, which is attached to this lease and:

Dated: \_\_\_\_\_, 20\_\_\_\_

STATE OF HAWAII  
DEPARTMENT OF HAWAIIAN

By: \_\_\_\_\_  
LESSEE

By: \_\_\_\_\_  
CHAIRMAN COMMISSIONER  
HAWAIIAN HOMES COMMUNITY DEVELOPMENT  
LESSOR

LEASE NO. \_\_\_\_\_

LOT NO. \_\_\_\_\_

HOMESTEADER \_\_\_\_\_

## 14. Exhibit 13: Non-Owner Occupancy Rider

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**Change Date**      May 10, 2009

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**4155.2**  
**12.A.14.a**  
**Non-Owner**  
**Occupancy**  
**Rider Example**  
**(Pg. 1)**

The following is an example of the Non-Owner Occupancy Rider.

THIS NON-OWNER OCCUPANCY RIDER is made this \_\_\_\_\_ day of \_\_\_\_\_ is incorporated into and shall be deemed to amend and supplement the Mortgage Deed Security Deed (Security Instrument) of the same date given by the undersigned (Borrower) to \_\_\_\_\_ (Lender) of the same date, and covering the property described in the Security Instrument and located at:

[Property Address]

**ADDITIONAL COVENANTS.** In addition to the covenants and agreements in the Security Instrument, the Borrower and Lender further covenant and agree as follows:

- A. Borrower represents that, notwithstanding the provisions of Paragraph 5 of the Security Instrument, he/she does not intend to occupy the property described in the Security Instrument as a primary residence, and [mark applicable item(s)]:
1. The Security Instrument is for a streamline refinance of a loan which was previously insured.
  2. The Security Instrument is for a loan to be insured under Section 203(k) of the National Housing Act.
  3. The Security Instrument applies to property sold under the HUD Single Family Homeownership Disposition Program and meets the requirements thereof.
  4. The Borrower is an Indian Tribe as provided in Section 248 of the National Housing Act or a serviceperson who is unable to occupy the property because of his or her duty as provided in Section 216 or Subsection (b)(4) or (f) of Section 222 of the National Housing Act.
  5. The Security Agreement is for property sold to a state or local government agency or a public organization (qualified under Section 501(c)(3) of the Internal Revenue Code) or to lease the property to low or moderate income persons.
  6. The Security Instrument is for property that is or will be a secondary residence eligible for an FHA-Insured mortgage in order to avoid undue hardship for the Borrower.

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*Continued on next page*

## 14. Exhibit 13: Non-Owner Occupancy Rider, Continued

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**4155.2**  
**12.A.14.a**  
**Non-Owner**  
**Occupancy**  
**Rider Example**  
**(Pg. 2)**

**ADDITIONAL COVENANTS** (continued)

- B. Lender shall not require immediate payment in full, notwithstanding the provisions of Paragraph 9(b) of the Security Instrument, solely because all or part of the Property, or a beneficial interest in a trust owning all or part of the Property is sold or otherwise transferred to a purchaser or grantee who does not occupy the Property as his or her principal residence.

BY SIGNING BELOW, Borrower agrees to the representations contained in this Non-Owner Occupancy Rider.

\_\_\_\_\_  
(SEAL)  
Borrower

\_\_\_\_\_  
(SEAL)  
Borrower

[ADD ANY NECESSARY ACKNOWLEDGEMENT PROVISIONS.]

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## 15. Exhibit 14: Water Purification Equipment Rider

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Change Date      May 10, 2009

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4155.2  
12.A.15.a  
Water  
Purification  
Equipment  
Rider Example  
(Pg. 1)

The following is an example of the *Water Purification Equipment Rider*.

THIS WATER PURIFICATION EQUIPMENT RIDER is made this \_\_\_\_\_  
\_\_\_\_\_ 20\_\_, and is incorporated into and shall be deemed to amend and supple-  
ment the Mortgage Deed of Trust or Security Deed (Security Instrument) of the same date gi-  
ven and undersigned (Borrower) to secure Borrower's Note (Note) to \_\_\_\_\_  
(Lender) of the same date and covering the property described in the Security Instru-  
ment located at:

[Property Address]

**ADDITIONAL COVENANTS.** In addition to the covenants and agreements made in the  
Security Instrument, Borrower and Lender further covenant and agree as follows:

Borrower shall include in each monthly payment, together with items described in Item 1  
of the Security Instrument, an amount to be held by Lender to assure proper servicing,  
maintenance, repair and replacement of individual residential water purification equip-  
ment on the Property. Each monthly amount shall equal \$\_\_\_\_\_, unless and until the amount  
is less than the amount by Lender as provided herein.

At least annually, Lender shall determine whether any adjustment is necessary to ensure  
sufficient funds will be accumulated to make anticipated disbursements in a timely manner.  
Lender shall inform Borrower of any adjustment. This determination shall be performed without  
regard for other items for which Lender maintains an escrow account such as taxes and hazard  
insurance premiums.

Lender shall accumulate the amounts received from the Borrower to be held in trust until  
disbursements are required as follows:

1. Disbursements from the account are limited strictly to costs associated with the  
servicing, maintenance, repair and replacement of the water purification equipment.
2. Disbursements shall be made solely to [maintenance organization named in servicing  
plan] or its successor, [agent approved by local health authority to perform testing or  
maintenance] on its behalf, [other payees named in Plan.]

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*Continued on next page*

## 15. Exhibit 14: Water Purification Equipment Rider, Continued

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**4155.2**  
**12.A.15.a**  
**Water**  
**Purification**  
**Equipment**  
**Rider Example**  
**(Pg. 2)**

**ADDITIONAL COVENANTS** (continued)

3. Disbursements shall be made at the request of borrower supported by documentation costs. If Borrower tenders to Lender the full payment of all sums secured by this Security Instrument, or if the equipment is no longer needed because of a change in water source, or immediately prior to a foreclosure sale of the Property or its acquisition by Lender, Borrower's account shall be credited with the balance remaining from amounts accumulated by lender under the additional covenants in the Water Purification Equipment Rider, and lender shall promptly refund any excess funds to Borrower.

BY SIGNING BELOW, Borrower accepts and agrees to the terms and provisions in this Water Purification Equipment Rider.

\_\_\_\_\_  
(SEAL)  
Borrower

\_\_\_\_\_  
(SEAL)  
Borrower

[ADD ANY NECESSARY ACKNOWLEDGEMENT PROVISIONS.]

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## 16. Exhibit 15: Cooperative Rider

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**Change Date**      May 10, 2009

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**4155.2**  
**12.A.16.a**  
**Cooperative**  
**Rider Example**  
**(Pg. 1)**

The following is an example of the *Cooperative Rider*.

THIS COOPERATIVE HOUSING PROJECT RIDER is made this \_\_\_\_\_ day  
 \_\_\_\_\_, 20\_\_, and is incorporated into and shall be deemed to amend and  
 supplement the Mortgage, Deed of Trust or Security Deed (Security Instrument) of  
 given by the undersigned (Borrower) to secure Borrower's Note (Note) to \_\_\_\_\_  
 (Lender) of the same date and covering the Property described in the security instru  
 located at:

[Property Address]

The Property includes Borrower's right of occupancy for a dwelling unit in, together  
 membership (or stock ownership) in the Corporation of, a project known as:

[Name of Cooperative]

(Cooperative). The Property includes the uses, proceeds and benefits of Borrower's  
 in the Cooperative.

**COOPERATIVE COVENANTS.** In addition to the covenants and agreements in  
 Security Instrument, Borrower and Lender further covenant and agree as follows:

- A. So long as the Cooperative maintains, with a generally accepted insurance carrier  
 or "blanket" policy insuring all properties located in the project, including all im  
 now existing or hereafter erected on the Property, and such policy is satisfactory  
 and provides insurance coverage in the amounts, for the periods, and against the  
 Lender requires, including fire and other hazards included within the term "exter  
 coverage," and loss by flood, to the extent required by the Secretary, then:
- (i) Lender waives the provision in Paragraph 2 of this Security Instrument for th  
 payment to Lender of one-twelfth of the yearly premium installments for haz  
 insurance on the Property, and
  - (ii) Borrower's obligation under Paragraph 4 of this Security Instrument to main  
 insurance coverage on the Property is deemed satisfied to the extent that the  
 coverage is provided by the Cooperative's policy.

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*Continued on next page*

## 16. Exhibit 15: Cooperative Rider, Continued

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**4155.2**  
**12.A.16.a**  
**Cooperative**  
**Rider Example**  
**(Pg. 2)**

**COOPERATIVE COVENANTS (continued)**

Borrower shall give Lender prompt notice of any lapse in required hazard insurance coverage and of any loss occurring from a hazard. In the event of a distribution of hazard insurance proceeds in lieu of restoration or repair following a loss to the Property, whether to the unit or to the common elements, and facilities of the project, any proceeds payable to Borrower are hereby assigned and shall be paid to Lender for application to the sums secured by this Security Instrument, with any excess paid to the entity legally entitled thereto.

- B. Borrower promises to pay Borrower’s allocated share of the common expenses or assessments and charges imposed by the Cooperative, as provided in the Cooperative documents.
- C. If Borrower does not pay Cooperative dues and assessments when due, Lender may pay them. Any amounts disbursed by Lender under this paragraph C shall become additional debt of Borrower secured by the Security Instrument. Unless Borrower and Lender agree to other terms of payment, these amounts shall bear interest from the date of disbursement at the Note rate and shall be payable, with interest, upon notice from Lender to Borrower requesting payment.

BY SIGNING BELOW, Borrower accepts and agrees to the terms and provisions contained in this Cooperative Rider.

\_\_\_\_\_(SEAL)  
Borrower

\_\_\_\_\_(SEAL)  
Borrower

[ADD ANY NECESSARY ACKNOWLEDGEMENT PROVISIONS.]

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## 17. Exhibit 16: Construction Rider for Construction/Permanent Mortgage

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**Change Date**      May 10, 2009

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**4155.2  
12.A.17.a  
Construction  
Rider Example  
(Pg. 1)**

The following is an example of the Construction Rider for Construction/Permanent Mortgage.

### CONSTRUCTION LOAN ADDENDUM TO NOTE MODEL DOCUMENT

FHA CASE Number \_\_\_\_\_ Date: \_\_\_\_\_

THIS IS A MODEL DOCUMENT FOR USE IN MORTGAGE LOAN TRANSACTIONS. IT IS PROVIDED AS AN EXAMPLE AND IS NOT VALID AND ENFORCEABLE IN ALL JURISDICTIONS. LENDERS SHOULD CONSULT WITH LEGAL COUNSEL TO DETERMINE WHICH OF ALL FORMS USED TO ORIGINATE LOANS ARE APPROPRIATE, AND THAT ALL INSTRUMENTS ARE COMPLETED CORRECTLY AND IN COMPLIANCE WITH APPLICABLE LAW.

### CONSTRUCTION LOAN ADDENDUM AMENDING NOTE

THIS CONSTRUCTION LOAN ADDENDUM (the Addendum) is made this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, and is incorporated into and shall be deemed to amend and supplement the note made by the undersigned Borrower, (I, me, my) to evidence my indebtedness (the Note) and its successors and assigns (the Note Holder) dated as this Addendum (the Note). The Note is secured by a security instrument, as modified in favor of the Lender dated the same date as this Addendum (the Security Instrument) in the Note shall have the same meaning in this Addendum.

**ADDITIONAL COVENANTS.** In addition to the covenants and agreements made in the Note, the Borrower, Note Holder and I further covenant and agree as follows:

**1. CONSTRUCTION/PERMANENT LOAN**

The Note, as amended by this Addendum, is for a construction loan and a permanent mortgage. During the Construction Phase of the Loan, Note Holder will advance funds in accordance with the Construction Loan Agreement dated the same date as this Addendum (the Construction Loan Agreement). The "Construction Phase" is the period beginning on the date the Loan is closed (the Closing Date) until the first day of the month following the Completion Date as defined in the Construction Loan Agreement. The Completion Date is \_\_\_\_\_

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*Continued on next page*

## 17. Exhibit 16: Construction Rider for Construction/Permanent Mortgage, Continued

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4155.2  
12.A.17.a  
**Construction  
Rider Example  
(Pg. 2)**

### ADDITIONAL COVENANTS (continued)

The "Permanent Phase" is the period beginning on the first day of the month following the Completion Date specified in the Construction Loan Agreement. On the first day of the month following the Completion Date (Permanent Mortgage Date), the Loan will be a permanent mortgage loan. The Permanent Mortgage Date for my Loan is \_\_\_\_\_, \_\_\_\_\_. My first payment of principal and interest during the Permanent Phase will be due on the first day of the second month following the Completion Date which is \_\_\_\_\_, \_\_\_\_\_, as stated in Section 3(A) of the Note.

### 2. INTEREST AND PAYMENTS

#### (A) Construction Phase Interest Rate

During the Construction Phase of the Loan, I will pay interest only on the amount of the Loan proceeds Lender disburses under the Construction Loan Agreement (each, an Advance). I will pay interest at the rate:

*Check applicable box:*

- Stated in Section 2 of the Note (Note Rate)  
 At \_\_\_\_\_% per annum

#### (B) Permanent Phase Rate

During the Permanent Phase, I will pay interest (Permanent Phase Rate) at the rate stated in Section 2 of the Note (Note Rate).

#### (C) Interest Only Payments

Interest on Advances shall be calculated from the date each Advance is made. My Construction Phase interest payments will be:

*Check applicable box:*

- Due and payable fifteen (15) days after being billed by Note Holder, or  
 Paid directly from the "Interest Reserve Account" established at the time of closing in the amount reflected in Schedule of Advances, attached as Exhibit "B" to the Construction Loan Agreement.

#### (D) Interest Reserve Payments

If I choose to establish an Interest Reserve Account, (1) Construction Phase interest will be advanced by Note Holder from the Interest Reserve Account on the first day of the month following the month in which the interest is billed, (2) Construction Phase interest advanced will be added to Principal and (3) I:

*Check applicable box:*

- Will pay interest on all Principal, including Advances from the Interest Reserve Account.  
 Will pay interest on all Principal, other than Advances from the Interest Reserve Account

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*Continued on next page*

# 17. Exhibit 16: Construction Rider for Construction/Permanent Mortgage, Continued

4155.2  
12.A.17.a  
Construction  
Rider Example  
(Pg. 3)

2. **INTEREST AND PAYMENTS** (continued)

In the event that the Interest Reserve Account is depleted prior to the Completion Date, I agree to pay directly to Note Holder from my own funds any and all interest, which accrues prior to the Completion Date.

Note Holder shall pay no interest on the Interest Reserve Account.

(E) **Principal Prepayments; Permanent Phase Interest and Principal Payments**

Any portion of a payment Note Holder receives in excess of the interest due during the Construction Phase or any funds Note Holder does not advance under the Construction Loan Agreement may, at Note Holder's option, be used to pay costs associated with the Construction Phase or may be credited as a partial prepayment of the Principal amount of the Loan. The partial prepayment will reduce the

- amount of
- number of my monthly payments.

Beginning on the Permanent Mortgage Date, principal and interest will be due and payable as set forth in the Note.

3. **NOTICE OF NO ORAL AGREEMENT.**

THE NOTE, THIS ADDENDUM, THE CONSTRUCTION LOAN AGREEMENT, AND THE SECURITY INSTRUMENT, AS AMENDED, REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND TO THE EXTENT PERMITTED BY LAW, MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENT OF THE PARTIES. THERE ARE NO ORAL AGREEMENTS BETWEEN THE PARTIES.

BY SIGNING BELOW, I accept and agree to the terms and covenants contained in this Addendum.

DATED this \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

\_\_\_\_\_  
Borrower

\_\_\_\_\_  
Borrower