**SAMPLE HOMEBUYER ASSISTANCE ACTIVITY**

**FORGIVABLE LOAN PROMISSORY NOTE**

**Borrower:** [List Name(s) of Borrower(s)] **Lender:** [Name of IFA subrecipient]

For the value received, the undersigned Borrower, jointly and severally, promise to pay to [enter name of subrecipient] (“Lender”), or its successors or assigns, the maximum principal sum of [enter amount of indebtedness], or such lesser amount as may be endorsed on this Forgivable Loan Promissory Note (“Note”) on behalf of the Lender, at the rate of [enter number] percent per annum.

**Terms and Conditions**: The Borrower agrees to the following terms of this Note:

1. Affordability Period. The borrower shall comply with the terms of this Forgivable Loan Promissory Note for a term of [insert number of years] (“Affordability Period”) commencing upon completion of the activity in the federal IDIS system. The Loan shall be forgiven 1/[insert number of years]th on each anniversary of the date the Borrower executed this Forgivable Loan Promissory Note for each full year during the Affordability Period.

2. Principal Residence Requirement: Notice of Sale and Recapture. The Borrower shall own and occupy the property that serves as security for this loan located at [address] (“Mortgaged Property”) as the Borrower’s principal residence. The Borrower shall immediately notify the Lender if the Borrower no longer occupies the Mortgaged Property as the Borrower’s principal residence or if the Borrower sells or transfers for any reason, the Mortgaged Property during the Affordability Period. If the Borrower sells or transfers the Mortgaged Property with Lender’s consent during the Affordability Period, the Borrower hereby agrees to pay the Lender the un-forgiven balance of the loan, unless the Net Proceeds (defined as the sale price minus the payoff on the first mortgage lien on the Land and any usual and customary sellers’ closing costs) of the sale are not sufficient to cover the un-forgiven balance of the loan. If the Net Proceeds are not sufficient to cover the un-forgiven balance of the loan, the amount of the loan subject to recapture shall be determined in accordance with the provisions of paragraph 3, below.

3. Insufficient Proceeds. If the Net Proceeds are insufficient to repay the un-forgiven balance of the Loan, any Net Proceeds that are available shall be distributed to the Borrower and the Lender based on a ratio of the Original Loan Amount (“OLA”) to the sum of the OLA and the Borrower’s Investment

(“BI” – defined as any out-of-pocket down payment paid by the Borrower plus any verified capital improvements made by the Borrower), as follows:

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| --- |
| OLA  \_\_\_\_\_\_\_\_\_ X Net Proceeds = Recapture Amount payable to Lender  OLA + BI |

|  |
| --- |
| BI  \_\_\_\_\_\_\_\_\_ X Net proceeds = Proceeds payable to Borrower  OLA + BI |

If there are no Net Proceeds to distribute, the recapture amount payable to the Lender shall be zero.

4. Refinance. The Borrower may refinance the first lien on the Mortgaged Property during the Affordability Period subject to IFA’s notification and verification of compliance with IFA’s loan subordination and responsible lending policies. If the Borrower refinances both the first mortgage and this Mortgage during the Affordability Period, the Borrower shall pay the Lender the entire un-forgiven balance of the loan.

5. Collateral and Forgivable Mortgage. Borrower acknowledges this Forgivable Loan Promissory Note is secured by a Forgivable Mortgage executed simultaneously with this Note against property located at [insert property address]. Borrower further agrees to be bound by the terms and conditions of the Forgivable Mortgage and agrees that the terms and conditions of the Forgivable Mortgage are incorporated into this Forgivable Loan Promissory Note as fully set forth herein.

6. Verification of Principal Residency. The Borrower agrees to submit, at the request of the Lender, documentation verifying Borrower’s principal residency at the Mortgaged Property, including but not limited to verification of mailing address by the U.S. Postal Service, current utility bills, real estate assessment or tax documents and other documents as requested by the Lender.

7. Acceleration Upon Default. The undersigned agrees that any portion of the loan is specifically conditioned upon the satisfactory fulfillment of all the terms and conditions set forth herein; and that any default on these conditions shall render the total principal amount of this loan immediately due and payable to the Lender.

8. Forgiveness Withdrawn. Notwithstanding the forgiveness provisions above, the total principal amount of this loan becomes immediately due and payable to the Lender if the Borrower, during the Affordability Period and without the Lender’s prior written consent, (a) fails to occupy the Mortgaged Property as Borrower’s principal residence, or any part thereof, for a period of two consecutive months; or (b) sells, leases, rents, or abandons, or transfers, whether voluntary or involuntary, the Mortgaged Property, or any part thereof.

9. Payments. Payments or correspondence required by this Note for the Lender shall be directed to [insert servicer name, address, etc. for notice].

10. Waiver. No delay or omission on the part of the Lender in exercising any right under this Note shall operate a waiver of that right or of any other right under this Note. A waiver on any one occasion shall not be construed as a bar to or waiver of any right and/or remedy on any future occasion.

11. Waiver of Protest. The Borrower, of this Note expressly waives presentment, protest, demand notice of dishonor or default, and notice of any kind with respect to this Note.

**BEFORE SIGNING THIS FORGIVABLE LOAN PROMISSORY NOTE, I HAVE READ AND UNDERSTOOD ALL THE PROVISIONS AND I AGREE TO THE TERMS OF THIS FORGIVABLE LOAN PROMISSORY NOTE.**

**I ACKNOWLEDGE RECEIPT OF A COMPLETED COPY OF THIS FORGIVABLE LOAN PROMISSORY NOTE AND ALL OTHER DOCUMENTS RELATING TO THIS DEBT.**

**BORROWER:**

[Name of Borrower] [Name of Borrower]

Date Date [Name of Borrower]

[THIS PROMISSORY NOTE AND THE FORGIVABLE MORTGAGE MUST BE SIGNED ON THE SAME DATE.]