

HFA Subordinate Closing Documents Completion Instructions

Effective Date
09/09/2021
Supersedes
N/A

Multistate Subordinate Standardized Forgivable Fixed Rate Note Form 3296

NOTE

The language in the following two brackets is optional

① [Insert - Forgivable Program Name]

② [THIS LOAN CONTAINS PROVISIONS PROHIBITING THE UNAUTHORIZED
TRANSFER OF THE PROPERTY AND IS NOT ASSUMABLE]

③ _____, ④ _____, ⑤ _____, ⑥ _____
[Note Date] [City] [State]

⑦ _____
[Property Address]

1. BORROWER'S PROMISE TO PAY

In return for a loan in the amount of U.S. \$ ⑧ (the "Principal") that I have received from ⑨ (the "Lender"), I promise to pay the Principal, plus interest, if any, to the order of the Lender. I will make all payments under this Note in U.S. currency in the form of cash, check, money order, or other payment method accepted by Lender.

I understand that the Lender may transfer this Note. The Lender or anyone who takes this Note by transfer and who is entitled to receive payments under this Note is called the "Note Holder."

2. INTEREST

No interest will be charged on unpaid Principal.

[The following sentence is optional]

[However, if I fail to pay this Note as required, interest will be due on the unpaid Principal balance at the rate of ⑩ percent (⑪ %) per annum or the maximum rate allowed by law, whichever is less, from the date when payment of this Note was due until I pay it in full.]

3. PAYMENTS

(A) Time and Place of Payments

No payments will be due on this Note unless I am in default. I will make payment, if any, at ⑫ or at a different place if required by the Note Holder.

(B) Maturity Date

The "Maturity Date" of the loan will be the earliest to occur of any the following dates:

(i) ⑬, ⑭;

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

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

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

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

The language in the following bracket is optional

⑮ [(vi) [the date I cease to use the Property as my primary residence].

(C) Loan Forgiveness

[Select one of the following sentences]

So long as I am not in default, the outstanding principal balance of this Note will be reduced each [month] [year] ⑯ ⑰ on the anniversary date of this Note by an amount equal to [insert percentage] of the original Principal amount.

[OR]

⑱ If I am not in default, the outstanding principal balance of this Note will be forgiven on the Maturity Date.

HFA Subordinate Closing Documents Completion Instructions

Effective Date
09/09/2021
Supersedes
N/A

Multistate Subordinate Standardized Forgivable Fixed Rate Note Form 3296

6. BORROWER'S FAILURE TO PAY AS REQUIRED

(A) Late Charges for Overdue Payments

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

(B) Default

I will be in default under this Note if:

- (i) I fail to comply with the terms of this Note, or
- (ii) I fail to comply with the terms of the "Security Instrument" (defined in Section 10 below) securing this Note; or
- (iii) I fail to comply with the terms of the First Lien Note or the mortgage, mortgage deed, deed of trust or security deed securing the First Lien Note.

20

The language in the following bracket is optional

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

(C) Notice of Default

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

21

[Paragraph 11 is OPTIONAL]

11. CERTAIN RESTRICTIONS TERMINATE ON FORECLOSURE OF HUD-INSURED FIRST MORTGAGE OR DEED OF TRUST.

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

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

(Seal)
- Borrower

HFA Subordinate Closing Documents Completion Instructions

Effective Date

09/09/2021

Supersedes

N/A

Multistate Subordinate Standardized Forgivable Fixed Rate Note Form 3296

PLEASE NOTE THAT THESE INSTRUCTIONS ALSO APPLY TO THE FORM 3296e (For Electronic Signature)

All the data completion fields are customary with the exception of the below instructions related to new subordinate fields. Authorized changes and/or optional changes are in brackets. If the authorized/optional changes are not adopted please be sure to remove the bracketed language from the documents.

1. *Authorized Change* -Name of HFA Program (i.e., Home)
2. *Authorized Change* – Remove brackets and retain non-Assumability language provided
3. Month (i.e., January) and Day of Month (i.e., 12) that document is created
4. Year (i.e., 2021) that document is created
5. City - where Note is prepared OR follow current practice for completion of this field. Due to technology advancements in the area of Remote On-line Notarization and/or Hybrid Closings this field may be completed according to your current practices and/or customary practice of the lender's forms provider.
6. State - where Note is prepared OR follow current practice for completion of this field. Due to technology advancements in the area of Remote On-line Notarization and/or Hybrid Closings this field may be completed according to your current practices and/or customary practice of the lender's forms provider.
7. Subject Property Address (i.e., 123 Main Street, Moorpark, CA ,93021. Commas are optional)
8. Loan amount numeric
9. Lender Name
10. *Optional Language* if default interest is applicable input the default interest rate spelled, not numeric. (i.e., Five) This may be provided by the Housing Finance Agency. *Removed and not required by THDA*
11. *Optional Language* if default interest is applicable input the default interest numeric (i.e., 5.0000) This may be provided by the Housing Finance Agency. *Removed and not required by THDA*
12. Address where payments must be sent
13. The Month, Day that the loan matures (i.e., January 1,)
14. Year the loan matures (i.e., 2051)
15. *Optional Language* is required if the program requires owner occupancy throughout the life of the loan. Remove this optional language if failure to occupy the home as a primary residence does not trigger a default. *Required by THDA*

HFA Subordinate Closing Documents Completion Instructions

Effective Date

09/09/2021

Supersedes

N/A

Multistate Subordinate Standardized Forgivable Fixed Rate Note Form 3296

Section (C) Loan Forgiveness requires the use of one of two sentences. If the loan is forgivable in either monthly or yearly increments - select the first sentence and reference items #16 - #18 for completion guidance. In the alternative, if the loan is forgivable in full at the time of maturity select the second sentence #19.

16. If the loan is forgiven monthly select the option in brackets for month (remember to delete the bracketed language with reads [year on the anniversary date of this Note] *N/A for THDA loans*)
17. If the loan is forgiven annually select the option in brackets for year on the anniversary date of this Note. Remember to delete the bracketed language with reads [month] *N/A for THDA loans*
18. Type the forgivable increments. For example, if the loan is forgivable in equal monthly increments over a 3 year period, the insert would read one-thirty sixth ($1/36^{\text{th}}$). OR If the loan is forgivable in equal annual increments over a 3-year period it would read thirty-three and thirty-three hundredths (33.33) *N/A for THDA loans*
19. If the loan is forgivable in full at maturity select the second available sentence which reads "If I am not in default, the outstanding principal balance of this Note shall be forgiven on the maturity date. (remember to delete the first sentence that reads in part "So long as I am not in default . . .) *Required for THDA loans*
20. *Optional Language* is required if the program requires owner occupancy throughout the life of the loan. Remove this optional language if failure to occupy the home as a primary residence does not trigger a default.
21. *Optional Paragraph 11 or for the 3296e Paragraph 12* addresses the elimination of certain restrictions at the time of foreclosure. This paragraph may be required by the Housing Finance Agency. *Required for THDA loans*