

**PROMISSORY NOTE**  
**(Zero Interest Program)**  
**[With Conventional First Loans Only]**

**NOTICE TO BORROWER**  
**THIS DOCUMENT CONTAINS PROVISIONS**  
**PROHIBITING UNAUTHORIZED TRANSFERS SECURED BY A**  
**DEED OF TRUST ON RESIDENTIAL PROPERTY**

Property Address: \_\_\_\_\_

\$ \_\_\_\_\_, \_\_\_\_\_  
Date of Note

FOR VALUE RECEIVED, the undersigned, \_\_\_\_\_  
\_\_\_\_\_ (the "Borrower"), hereby promises to pay to the order of the  
\_\_\_\_\_, its assignee or holder, whose address  
is \_\_\_\_\_ ("Lender") as further provided herein  
a principal amount equal to \_\_\_\_\_ Dollars  
(\$ \_\_\_\_\_), with no interest accruing thereon (except as provided in Paragraph 9 below). The obligation  
of the Borrower with respect to this Note is secured by that certain deed of trust entitled "Permanent Deed of Trust  
with Assignment of Rents, Security Agreement and Fixture Filing (Zero Interest Program)" (the "Deed of Trust"),  
and executed by the Borrower contemporaneously herewith.

**DEFINITIONS**

"Date of this Note" – means the date that this Note is executed as specified on the top right hand side of this page.

"First Note" and "First Deed of Trust" – means that purchase money note secured by a deed of trust recorded  
concurrently herewith and which is an encumbrance on the Property in a 1<sup>st</sup> priority lien position.

**RECITALS**

1. *The Borrower's Obligation.* This Note evidences the obligation of the Borrower to the Lender for the  
repayment of funds loaned to finance the purchase of that certain real property (the "Property") described in the  
Deed of Trust. The amount of principal plus deferred accrued interest shall be due and payable at the end of the  
Term of Note as set forth in paragraph 4 below, or upon acceleration of payment as set forth in paragraph 5 below.

2. *Owner Occupancy Representation.* At the time of the making of this Note, Borrower represents and  
warrants that he/she intends to occupy the property as his/her primary residence.

3. *Loan Not Assumable, Prohibition on Transfer of Interests.* The Borrower shall not make any lease, sale,  
assignment, conveyance or transfer of the Property without prior written consent of the Lender except as permitted.  
No transfer of this second loan will be permitted, and no successor in interest to the Borrower(s) will be permitted to  
assume the Borrower(s) loan secured by this Deed of Trust except in the following limited circumstances:

- (a) The transfer results from the death of a Borrower and the transfer is to the surviving Co-Borrower who occupies the property;
- (b) A transfer of the Property resulting from a decree of dissolution of the marriage or legal separation or from a property settlement agreement incidental to such a decree by which a spouse who is already a Borrower continues to occupy the Property and becomes the sole owner of the Property; or
- (c) A transfer by a Borrower to an intervivos trust in which the Borrower is the sole beneficiary.

4. *Repayment of Loan Principal and Interest.* This is a deferred payment obligation. The Borrower shall repay to the Lender the principal, interest (if applicable) and any other amounts due under this Note on the earliest of the following occurrences:

- (a) The First Note and First Deed of Trust on the Property is paid in full or reaches its maturity date, whichever occurs first;
- (b) The First Note and First Deed of Trust on the Property is refinanced;
- (c) The First Note and First Deed of Trust on the Property is assumed;
- (d) Title to the Property is transferred; or
- (e) The First Note and First Deed of Trust on the Property becomes due and payable for any reason.

5. *Acceleration of Payment.* The principal amount of this Note, together with any then outstanding accrued interest thereon, shall at the election of Lender become immediately due and payable upon the occurrence of any of the following events:

- (a) In the event of a default under the terms of this Note or the Deed of Trust securing this Note;
- (b) In the event of those circumstances specified in paragraph 3 and 4 of this Note; or
- (c) In the event of a default under the terms of the First Note and First Deed on the Property.

6. *Place and Manner of Payment.* All amounts due and payable under this Note are payable at the principal office of the Lender set forth above, or at such other place or places as the Lender may designate to the Borrower in writing from time to time.

7. *Application of Payments.* All payments received on account of this Note shall be first applied to accrued interest and the remainder shall be applied to the reduction of principal.

8. *Attorney's Fees.* The Borrower hereby agrees to pay all costs and expenses, including reasonable attorney's fees, which may be incurred by the Lender in the enforcement of this Note.

9. *Default and Acceleration.* All covenants, conditions and agreements contained in the Deed of Trust are hereby made a part of this Note, and the Borrower agrees that the unpaid balance of the then principal amount of this Note, together with all accrued interest thereon and charges owing, shall, at the option of the Lender or, if so provided in this Note or the Deed of Trust, shall automatically, become immediately due and payable, and thereafter until paid bear interest at the rate of ten percent (10%) per annum, upon the failure of the Borrower to make any payment hereunder as and when due; upon the failure of the Borrower to perform or observe any other term or provision of this Note, or upon the occurrence of any event (whether termed default, event of default or similar term) which under the terms of the Deed of Trust, shall entitle the Lender to exercise rights or remedies thereunder.

10. *Notices.* Except as may be otherwise specifically provided herein, any approval, notice, direction, consent, request or other action by the Lender shall be in writing and may be communicated to the Borrower at the address of the Property, or at such other place or places as the Borrower shall designate to the Lender in writing, from time to time, for the receipt of communications from the Lender.

11. *No Prohibition Against Prepayment.* The Borrower may prepay this Note at any time without penalty.

12. *Governing Law.* This Note shall be construed in accordance with and be governed by the laws of the State of California.

13. *Severability.* If any provision of this Note shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby.

14. *Time.* Time is of the essence of this Note.

15. *No Waiver by the Lender.* No waiver of any breach, default or failure of condition under the terms of this Note or the Deed of Trust shall be implied from any failure of the Lender to take, or any delay by the Lender in taking action with respect to such breach, default or failure or from any previous waiver of any similar or unrelated breach, default or failure; and a waiver of any term of this Note, the Deed of Trust, or any of the obligations secured thereby must be made in writing and shall be limited to the express written terms of such waiver.

16. *Successors and Assigns.* The promises and agreements herein contained shall bind and inure to the benefit of, as applicable, the respective heirs, executors, administrators, successors and assigns of the parties.

_____	_____
Borrower	Borrower
_____	_____
Borrower	Borrower
_____	_____
Borrower	Borrower