California Housing Finance Agency
P.O. Box 4034 · Sacramento · CA · 95812-4034 · (916) 326-8000 · www.calhfa.ca.gov

Single Family Lending Program Bulletin

January 4, 2018 **Program Bulletin #2018-01**

To: CalHFA Approved Lenders

New CalHFA School Teacher and Employee Assistance Program and Discontinuation of Extra Credit Teacher Home Purchase Program

CalHFA is pleased to announce its new School Teacher and Employee Assistance Program (School Program) effective for all reservations starting February 1, 2018. As a result of this new School Program, the Extra Credit Teacher Home Purchase Program (ECTP) will no longer be available after January 31, 2018. The new School Program better reflects school employees eligible for this program, which is available to all staff currently employed in any K-12 California public school, including public charter schools, school district offices and county/continuation schools.

School Teacher and Employee Assistance Program details

- Maximum loan amount will be 4% of the sales price or appraised value, whichever is less
- All program guidelines can be found in the School Program Handbook
- New Promissory Note and Deeds of Trust are attached.

CalHFA strongly encourages lenders to use the Closing Document Wizard in the Mortgage Access System (MAS) during the doc drawing process. The Closing Document Wizard ensures the correct closing docs are being drawn with the applicable fields auto-populated.

All First Mortgages with an ECTP loan must be reserved and locked by 3 p.m. Wednesday, January 31, 2018. Any reserved ECTP not locked by then will be cancelled by CalHFA.

All subordinate documents will be available on our web site at www.calhfa.ca.gov/homeownership/forms/ on February 1, 2018. Electronic Word versions of specific documents are also available via email by contacting Lender Services at LenderTraining@calhfa.ca.gov.

For questions about this bulletin, contact CalHFA Single Family Lending by phone 916.326.8033 or by email at SFLending@calhfa.ca.gov. In addition, you can always visit CalHFA's web site at: www.calhfa.ca.gov or Single Family Lending directly at www.calhfa.ca.gov/homeownership.

CalHFA thanks you for your business and looks forward to continuing to support your affordable housing loan needs.

Attachments

This information is for use by mortgage lending professionals only and should not be distributed to consumers or other third parties. All rates, fees and programs are subject to change without notice.

RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:

California Housing Finance Agency
Single Family Lending Division
Subordinate Loan Processing Unit
P.O. Box 4034, MS 980
Sacramento, CA 95812-4034

(For Recorder's Use Only)

PERMANENT DEED OF TRUST WITH ASSIGNMENT OF RENTS,
SECURITY AGREEMENT AND FIXTURE FILING
(School Teacher and Employee Assistance Program)

NOTICE TO BORROWER
THIS DEED OF TRUST CONTAINS
PROVISIONS RESTRICTING ASSUMPTIONS

This Deed of Trust Shall Be Recorded In Second Lien Position

MIN: _____

DEFINITIONS

(A) "Lender" is _____Lender is a _____organized and existing under the laws of _____. Lender's address is _____.

The word "Lender" includes the present Lender, or any future owner or holder, including pledgee, of the indebtedness secured hereby.

(B) "MERS" is Mortgage Electronic Registration Systems, Inc. MERS is a separate corporation that is acting solely as a nominee for Lender and Lender's successors and assigns. MERS is the beneficiary under this Deed of Trust. MERS is organized and existing under the laws of Delaware, and has an address and telephone number of P.O. Box 2026, Flint, MI 48501-2026, Tel. (888) 679-MERS.

This Deed of Trust is made on _____, 2_____, by _____ _____, (the "Borrower"), whose address is _____, to the _____ (the "Trustee"), whose business address is _____, in favor of MERS (solely as nominee for Lender and Lender's successors and assigns), and any successor or assigns of MERS.

1. BORROWER, IN CONSIDERATION OF THE INDEBTEDNESS HEREIN RECITED AND THE TRUST HEREIN CREATED HEREBY IRREVOCABLY GRANTS, TRANSFERS AND ASSIGNS to Trustee in trust, with power of sale and right of entry and possession, all of Borrower's right, title and interest now held or hereafter acquired in and to the following: (a) all of that certain real property (the "Property") located in the County of _____, State of California, described below as,

SAMPLE

which property address is _____ which is incorporated herein by this reference; and (b) all buildings, improvements and fixtures now or hereafter erected thereon, and all appurtenances, easements, and articles of property now or hereafter affixed to, placed upon or used in connection with the Property, together with all additions to, substitutions for, changes in or replacements of the whole or any part of said articles of property (all of which real and personal property are sometimes referred to as the "Property"); all of which are hereby pledged and assigned, transferred, and set over onto Trustee, and for purposes of this Deed of Trust declared to be part of the realty; provided, however, that furniture and other personal property of Borrower now or hereafter situated on said real property are not intended to be included as part of the Property. Borrower understands and agrees that MERS holds only legal title to the interests granted by Borrower in this Deed of Trust, but, if necessary to comply with law or custom, MERS (as nominee for Lender and Lender's successors and assigns) has the right to exercise any or all of those interests, including, but not limited to, the right to foreclose and sell the property, and to take any action required of lender, including, but not limited to, releasing and canceling this Deed of Trust.

2. BORROWER HEREBY ABSOLUTELY, UNCONDITIONALLY AND IRREVOCABLY ASSIGNS to Lender all rents, royalties, issues, accounts and profits of or relating to the Property. This assignment is absolute, primary and direct and is not intended to be a separate or secondary pledge, or other form of additional security, and no further act or step is or shall be required of Lender to perfect this assignment. This assignment shall not impose upon Lender any duty to cause the Property to produce rents nor shall Lender be deemed to be a mortgagee in possession by reason thereof for any purpose.

3. THE ABOVE GRANT, TRANSFER, AND ASSIGNMENTS ARE FOR THE PURPOSE OF SECURING: Payment of the indebtedness evidenced by that certain promissory note of Borrower of even date herewith and titled "Promissory Note (School Teacher and Employee Assistance Program)" (the "Note") of Borrower in the face amount of

_____

Dollars ($_____), together with interest on such indebtedness according to the terms of the Note, and any and all amendments, modifications, extensions or renewals of the Note.

4. TO PROTECT THE SECURITY OF THIS DEED OF TRUST, BORROWER AGREES:

4.1 *Maintenance of the Property.* (a) To keep the Property in a decent, safe, sanitary, tenantable condition and repair and permit no waste thereof; (b) not to commit or suffer to be done or exist on or about the Property any condition causing the Property to become less valuable; (c) not to remove, demolish or structurally alter any buildings and improvements now or hereinafter located on the Property; (d) to repair, restore or rebuild promptly any buildings or improvements on the Property that may become damaged or be destroyed while subject to the lien of this Deed of Trust; (e) to comply with all applicable laws, ordinances and governmental regulations affecting the Property or requiring any alteration or improvement thereof, and not to suffer or permit any violations of any such law, ordinance or governmental regulation, nor of any covenant, condition or restriction affecting the Property; (f) not to initiate or acquiesce in any change in any zoning or other land use or legal classification which affects any of the Property without Lender's written consent; and (g) not to alter the use of all or any part of the Property without the prior written consent of Lender.

4.2 *Insurance.* To keep the Property insured, with loss payable to Lender, against loss or damage by fire and such other hazards, casualties and contingencies and by such companies, on such forms and in the amount of the replacement cost of the buildings or improvements on the Property, and to deliver the original of all such policies to Lender, together with receipts satisfactory to Lender evidencing payment of the premiums. All such policies shall provide that Lender shall be given thirty (30) days advance written notice of the cancellation, expiration or termination of any such policy or any material change in the coverage afforded by it. Renewal policies and any replacement policies, together with premium receipts satisfactory to Lender, shall be delivered to Lender at least thirty (30) days prior to the expiration of existing policies. Neither Trustee nor Lender shall by reason of accepting, rejecting, approving or obtaining insurance incur any liability for the existence, nonexistence, form or legal sufficiency of such insurance, or solvency of any insurer for payment of losses.

SAMPLE

4.3 *Payment of Taxes and Utility Charges.* To pay, at least ten (10) days prior to delinquency, all taxes and assessments, both general and special, fines, penalties, levies and charges of every type or nature levied upon or assessed against any part of the Property.

4.4 *Payment and Discharge of Liens.* Borrower shall pay, when due, all claims of every kind and nature which might or could become a lien on the Property or any part thereof and will not at any time create or allow to exist any lien on the Property or any part thereof of any kind or nature other than this Deed of Trust; provided, however, that the following are excepted from this prohibition: (a) liens for taxes and assessments which are not delinquent although by law are given the status of a lien, and (b) such of the above claims as are, and only during the time they are, being contested by Borrower in good faith and by appropriate legal proceedings, and (c) such deeds of trust as are approved by Lender in writing. Borrower shall post security for the payment of these contested claims as may be requested by Lender. Borrower shall not default in the payment or performance of any obligation secured by a lien, mortgage or deed of trust which is superior to this Deed of Trust.

5. IT IS MUTUALLY AGREED THAT:

5.1 *Awards and Damages.* All judgments, awards of damages, settlements and compensation made in connection with or in lieu of: (a) taking of all or any part of or any interest in the Property by or under assertion of the power of eminent domain; (b) any damage to or destruction of the Property or any part thereof by insured casualty; and (c) any other injury or damage to all or any part of the Property, are hereby assigned to and shall be paid to Lender. Lender is authorized and empowered (but not required) to collect and receive any such sums and is authorized to apply them in whole or in part upon any indebtedness or obligation secured hereby, in such order and manner as Lender shall determine at its option. Lender shall be entitled to settle and adjust all claims under insurance policies provided under this Deed of Trust and may deduct and retain from the proceeds of such insurance the amount of all expenses incurred by it in connection with any such settlement or adjustment. All or any part of the amounts so collected and recovered by Lender may be released to Borrower upon such conditions as Lender may impose for its disposition. Application of all or any part of the amounts collected and received by Lender or the release thereof shall not cure or waive any default under this Deed of Trust. If the Property is abandoned by Borrower, or if, after notice by Lender to Borrower that the condemnor offers to make an award or settle a claim for damages, Borrower fails to respond to Lender within thirty (30) days after the date such notice is mailed, Lender is authorized to collect and apply the proceeds, at Lender's option, either to restoration or repair of the Property or to the sum secured by this Deed of Trust.

5.2 *Prohibition on Transfer of Interests.* Borrower shall not make any sale, lease, conveyance of the Property in any form, or any part thereof or interest therein, without the prior written consent of Lender. Lender may decline to give such consent in its sole discretion.

5.3 *Sale or Forbearance.* No sale of the Property, forbearances on the part of Lender or extension of the time for payment of the indebtedness hereby secured shall operate to release, discharge, waive, modify, change or affect the liability of Borrower either in whole or in part.

5.4 *Lender's Rights to Release.* Without affecting the liability of any person for payment of any indebtedness hereby secured (other than any person released pursuant hereto), including without limitation any one or more endorsers or guarantors, and without affecting the lien hereof upon any of the Property not released pursuant hereto, at any time and from time to time without notice: (a) Lender may, at its sole discretion, (i) release any person now or hereafter liable for payment of any or all such indebtedness, (ii) extend the time for or agree to alter the terms of payment of any or all of such indebtedness, and (iii) release or accept additional security for such indebtedness, or subordinate the lien or charge hereof; and (b) Trustee, acting pursuant to the written request of Lender, may reconvey all or any part of the Property, consent to the making of any map or plat thereof, join in granting any easement thereon, or join in any such agreement of extension or subordination.

5.5 *Reconveyance.* Upon written request of Lender stating that all sums and obligations secured hereby have been discharged, or otherwise as requested in writing by Lender, and upon surrender of this Deed of Trust and the Note and any additional loan notes to Trustee for cancellation, and upon payment to Trustee of its fees and expenses, Trustee shall reconvey, without warranty, the Property or that part thereof then held hereunder. The recitals in any reconveyance shall be conclusive proof of their truthfulness and the grantee in any such reconveyance may be described "as the person or persons legally entitled thereto." When the Property has been fully reconveyed, the last such reconveyance shall operate as a reassignment of all of the rents, royalties, issues, accounts and profits of the Property to the person or persons legally entitled thereto unless such reconveyance expressly provides to the contrary.

SAMPLE

5.6 Payment of Principal and Interest. Borrower shall promptly pay when due the principal of and interest (if applicable) on the indebtedness evidenced by the Note and late charges as provided by the Note, as defined in paragraph 6 below.

5.7 Application of Payments. Unless applicable law provides otherwise, all payments received by Lender under the Note will be applied by Lender first to interest payable on the Note, and then to the outstanding principal of the Note.

5.8 *Repayment of loan.* The indebtedness secured by this deed of trust is a deferred payment obligation. The borrower shall repay to the Lender the principal, interest and any other amounts due under this Note on the earliest of the following occurrence:

(a) The purchase money deed of trust recorded concurrently herewith and which is an encumbrance on the Property in a 1st priority lien position ("First Note and First Deed of Trust") 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.

6. EVENTS OF DEFAULT:

6.1 *Events of Default.* Any one or more of the following events shall constitute a default under this Deed of Trust: (a) failure of Borrower to pay the indebtedness secured hereby or any installment thereof, whether principal, interest or otherwise, when and as the same become due and payable, whether at maturity or by acceleration or otherwise; or (b) failure of Borrower to observe or to perform any covenant, condition or agreement to be observed or performed by Borrower pursuant to the Note or this Deed of Trust; or (c) the occurrence of any event which, under the terms of the Note, shall entitle Lender to exercise the rights or remedies thereunder; or (d) the occurrence of any event of default under the terms of any superior note or deed of trust on the Property.

6.2 *Acceleration and Sale.*

(a) Acceleration. In the event of any default Lender, without demand on Borrower, may declare all sums hereby secured immediately due and payable by notice thereof to Borrower or by executing and recording or by causing Trustee to execute and record a notice of default and election to cause the Property to be sold to satisfy the obligations secured hereby or by the commencement of an appropriate action to foreclose this Deed of Trust or by any other appropriate manner;

(b) Sale. After delivery to Trustee of a notice of default and demand for sale and after the expiration of such time and the giving of such notice of default and sale as may then be required by law, and without demand on Borrower, Trustee shall sell the Property at the time and place of sale fixed by it in said notice of sale, at public auction to the highest bidder for cash in lawful money of the United States of America, payable at time of sale. Trustee may postpone sale of all or any portion of the Property by public announcement at such time and place of sale and from time to time thereafter may postpone such sale by public announcement at the time and place fixed by the preceding postponement. Any person, including Borrower, Trustee or Lender, may purchase at such sale. Upon such sale by Trustee it shall deliver to such purchaser its deed conveying the Property so sold, but without any covenant or warranty expressed or implied.

The recitals in such deed of any matters or facts shall be conclusive proof of their truthfulness. Upon sale by Trustee, and after deducting all costs, expenses and fees of Trustee and of this Deed of Trust, Trustee shall apply the proceeds of sale to the payment of the principal indebtedness hereby secured, whether evidenced by the Note or otherwise, or representing advances made or costs or expenses paid or incurred by Lender under this Deed of Trust, or any other instrument evidencing or securing any indebtedness hereby secured and to the payment of all other sums then secured hereby, including interest as provided in this Deed of Trust, or any other instrument evidencing or securing any indebtedness hereby secured, in such order as Lender shall direct; and then the remainder, if any, shall be paid to the person or persons legally entitled thereto.

SAMPLE

6.3 *Attorney's Fees.* If Trustee or Lender shall be made parties to or shall intervene in any action or proceeding affecting the Property or the title thereto or the interest of Trustee or Lender under this Deed of Trust, or if Lender employs an attorney to collect any or all of the indebtedness hereby secured or to foreclose this Deed of Trust, or authorizes Trustee to conduct trustee's sale proceedings hereunder, then Trustee and Lender shall be reimbursed by Borrower, immediately and without demand, for all reasonable costs, charges and attorney's fees incurred by them or either of them in any such case whether or not suit be commenced, and the same, together with interest thereon from the date of payment at the rate of ten percent (10%) per annum.

6.4 *Exercise of Remedies; Delay.* No exercise of any right or remedy by Lender or Trustee hereunder shall constitute a waiver of any other right or remedy herein contained or provided by law, and no delay by Lender or Trustee in exercising any such right or remedy hereunder shall operate as a waiver thereof or preclude the exercise thereof during the continuance of any default hereunder.

6.5 *Trustee Substitution.* The irrevocable power to appoint a substitute trustee or trustees hereunder is hereby expressly granted to Lender, to be exercised at any time hereafter, without specifying any reason therefor by filing for record in the office where this Deed of Trust is recorded a deed of appointment, and said power of appointment of successor trustee or trustees may be exercised as often as and whenever Lender deems advisable. The exercise of said power of appointment, no matter how often, shall not be deemed an exhaustion thereof, and upon recording of such deed or deeds of appointment, trustee or trustees so appointed shall thereupon, without further act or deed of conveyance, succeed to and become fully vested with identically the same title and estate in and to the Property hereby conveyed and with all the rights, powers, trusts and duties of the predecessor in the trust hereunder, with the like effect as if originally named as trustee or as one of the trustees.

6.6 *Remedies Cumulative.* No remedy herein contained or conferred upon Lender or Trustee is intended to be exclusive of any other remedy or remedies afforded by law or by the terms hereof to Lender or Trustee but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity.

7. MISCELLANEOUS PROVISIONS:

7.1 *Successors, Assigns, Gender, Number.* The covenants and agreements herein contained shall bind, and the benefit and advantages shall inure to, the respective heirs, executors, administrators, successors and assigns of the parties. Wherever used, the singular number shall include the plural, and the plural the singular, and the use of any gender shall be applicable to all genders.

7.2 *Headings.* The headings are inserted only for convenience of reference and in no way define, limit, or describe the scope or intent of this Deed of Trust, or of any particular provision thereof, or the proper construction thereof.

7.3 *Actions on Behalf of Lender.* Except as otherwise specifically provided herein, whenever any approval, notice, direction, consent, request or other action by Lender is required or permitted under this Deed of Trust, such action shall be in writing.

7.4 *Terms.* The word "Lender" means the present Lender, or any future owner or holder, including pledgee, of the indebtedness secured hereby.

7.5 *Obligations of Borrower.* If more than one person has executed this Deed of Trust as "Borrower," the obligations of all such persons hereunder shall be joint and several.

7.6 *Severability.* If any provision of this Deed of Trust 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.

7.7 *Indemnification.* Borrower shall indemnify and hold Lender, its officers and agents harmless against any and all losses, claims, demands, penalties and liabilities which Lender, its officers or agents may sustain or suffer by reason of anything done or omitted in good faith pursuant to or in connection with this Deed of Trust and not assert any claim against Lender, its officers or agents by reason of any action so taken or omitted. Borrower shall, at Borrower's expense, defend, indemnify, save and hold Lender, its officers and agents harmless from any and all claims, demands, losses, expenses, damages (general, punitive or otherwise), causes of action (whether legal or equitable in nature)

SAMPLE

asserted by any person, firm, corporation or other entity arising out of this Deed of Trust and Borrower shall pay Lender upon demand all claims, judgments, damages, losses or expenses (including reasonable legal expense) incurred by Lender as a result of any legal action arising out of this Deed of Trust.

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7.8 *Subordination*. This Deed of Trust is subordinate to any deed of trust in a superior lien position securing the permanent financing of the property and recorded concurrently herewith.

7.9 *Notice*. The Borrower has requested that a copy of any notice of default and of any notice of sale hereunder be mailed to the Borrower at the address set forth above

IN WITNESS WHEREOF, Borrower has executed this Deed of Trust on the day and year set forth above.

Borrower	Borrower
Borrower	Borrower
Borrower	Borrower

SAMPLE

ACKNOWLEDGEMENTS

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
) ss.
County of _____)

On _____ before me, _____, a Notary Public, personally appeared _____ _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under penalty of perjury under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

_____
Signature *(Seal)*

SAMPLE

PROMISSORY NOTE
(School Teacher and Employee Assistance Program)

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

Property Address: _____

$_____ _____, 20_____
Date of this Note

FOR VALUE RECEIVED, the undersigned, _____ (the "Borrower") hereby promises to pay to the order of the _____, its assignees or holder, whose address is _____ (the "Lender") as further provided herein, a principal amount equal to _____ Dollars ($_____), with simple interest at the rate of _____ Percent (__%) per annum on the unpaid principal balance from the date of this Promissory Note (the "Note"), until paid. The obligation of the Borrower with respect to this Promissory Note is secured by that certain Deed of Trust entitled "Permanent Deed of Trust with Assignment of Rents, Security Agreement and Fixture Filing (School Teacher and Employee Assistance Program)" (the "Deed of Trust"), and executed by the Borrower concurrently 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 deed of trust recorded concurrently herewith and which is an encumbrance on the Property in a 1st priority lien position.

"Qualified Borrower" – means Lender has determined from documentation provided by the Borrower and his/her employer, that Borrower is employed as a teacher, administrator, school district employee and/or staff member working for any California K-12 public school, which includes Charter schools and county/continuation schools and will occupy the Property as his/her principal residence.

RECITALS

1. *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 accrued interest shall be due and payable as set forth in paragraph 4 (Repayment of Loan Principal and Interest) 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; Limited Exceptions.* The Borrower shall not make any lease, sale, assignment, conveyance or transfer of the Property 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:

SAMPLE

(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 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 a default under the terms of the First Note or First Deed of Trust on the Property;
(c) In the event of any sale, or transfer, lease, rental or encumbrance of the property in violation of paragraph 3 of this Note; or

(d) In the event of those circumstances specified in paragraph (Repayment of Loan Principal and Interest) of this Note.

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 by the Lender on account of this Note shall first be applied to accrued interest and the remainder shall be applied to the reduction of the 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.

SAMPLE

11. *No Prohibition Against Prepayment.* 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 in this Note.

15. *No Waiver by the Lender.* No waiver of any breach, default of failure of condition under the terms of the Note or the Deed of Trust shall thereby 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

SAMPLE

RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:

California Housing Finance Agency
Single Family Lending Division
Subordinate Loan Processing Unit
P.O. Box 4034, MS 980
Sacramento, CA 95812-4034

(For Recorder's Use Only)

PERMANENT DEED OF TRUST WITH ASSIGNMENT OF RENTS,
SECURITY AGREEMENT AND FIXTURE FILING
(School Teacher and Employee Assistance Program)
[With FHA or VA First Loans Only]

This Deed of Trust Shall Be Recorded In Second Lien Position

MIN: _____

DEFINITIONS

(A) "Lender" is _____Lender is a _____organized and existing under the laws of _____. Lender's address is _____.

The word "Lender" includes the present Lender, or any future owner or holder, including pledgee, of the indebtedness secured hereby.

(B) "MERS" is Mortgage Electronic Registration Systems, Inc. MERS is a separate corporation that is acting solely as a nominee for Lender and Lender's successors and assigns. MERS is the beneficiary under this Deed of Trust. MERS is organized and existing under the laws of Delaware, and has an address and telephone number of P.O. Box 2026, Flint, MI 48501-2026, Tel. (888) 679-MERS.

(C) "First Note and First Deed of Trust" – means that HUD or VA, as the case may be, purchase money note and deed of trust executed by the Borrower concurrently herewith and which is an encumbrance on the Property in a 1st priority lien position.

This Deed of Trust is made on _____, 2_____, by _____ _____, (the "Borrower"), to the _____, (the "Trustee"), whose business address is _____ , in favor of MERS (solely as nominee for Lender and Lender's successors and assigns), and any successor or assigns of MERS.

1. BORROWER, IN CONSIDERATION OF THE INDEBTEDNESS HEREIN RECITED AND THE TRUST HEREIN CREATED HEREBY IRREVOCABLY GRANTS, TRANSFERS AND ASSIGNS to Trustee in trust, with power of sale and right of entry and possession, all of Borrower's right, title and interest now held or hereafter acquired in and to the following: (a) all of that certain real property (the "Property") located in the County of _____, State of California, described below as,

SAMPLE

which property address is _____ which is incorporated herein by this reference; and (b) all buildings, improvements and fixtures now or hereafter erected thereon, and all appurtenances, easements, and articles of property now or hereafter affixed to, placed upon or used in connection with the Property, together with all additions to, substitutions for, changes in or replacements of the whole or any part of said articles of property (all of which real and personal property are sometimes referred to as the "Property"); all of which are hereby pledged and assigned, transferred, and set over onto Trustee, and for purposes of this Deed of Trust declared to be part of the realty; provided, however, that furniture and other personal property of Borrower now or hereafter situated on said real property are not intended to be included as part of the Property. Borrower understands and agrees that MERS holds only legal title to the interests granted by Borrower in this Deed of Trust, but, if necessary to comply with law or custom, MERS (as nominee for Lender and Lender's successors and assigns) has the right to exercise any or all of those interests, including, but not limited to, the right to foreclose and sell the property, and to take any action required of lender, including, but not limited to, releasing and canceling this Deed of Trust.

2. BORROWER HEREBY ABSOLUTELY, UNCONDITIONALLY AND IRREVOCABLY ASSIGNS to Lender all rents, royalties, issues, accounts and profits of or relating to the Property. This assignment is absolute, primary and direct and is not intended to be a separate or secondary pledge, or other form of additional security, and no further act or step is or shall be required of Lender to perfect this assignment. This assignment shall not impose upon Lender any duty to cause the Property to produce rents nor shall Lender be deemed to be a mortgagee in possession by reason thereof for any purpose.

3. THE ABOVE GRANT, TRANSFER, AND ASSIGNMENTS ARE FOR THE PURPOSE OF SECURING: Payment of the indebtedness evidenced by that certain promissory note of Borrower of even date herewith and titled "Promissory Note (School Teacher and Employee Assistance Program) [With FHA or VA First Loans Only]" (the "Note") of Borrower in the face amount of _____Dollars ($_____), together with interest on such indebtedness according to the terms of the Note, and any and all amendments, modifications, extensions or renewals of the Note.

4. TO PROTECT THE SECURITY OF THIS DEED OF TRUST, BORROWER AGREES:

4.1 *Maintenance of the Property.* (a) To keep the Property in a decent, safe, sanitary, tenantable condition and repair and permit no waste thereof; (b) not to commit or suffer to be done or exist on or about the Property any condition causing the Property to become less valuable; (c) not to remove, demolish or structurally alter any buildings and improvements now or hereinafter located on the Property; (d) to repair, restore or rebuild promptly any buildings or improvements on the Property that may become damaged or be destroyed while subject to the lien of this Deed of Trust; (e) to comply with all applicable laws, ordinances and governmental regulations affecting the Property or requiring any alteration or improvement thereof, and not to suffer or permit any violations of any such law, ordinance or governmental regulation, nor of any covenant, condition or restriction affecting the Property; (f) not to initiate or acquiesce in any change in any zoning or other land use or legal classification which affects any of the Property without Lender's written consent; and (g) not to alter the use of all or any part of the Property without the prior written consent of Lender.

4.2 *Insurance.* To keep the Property insured, with loss payable to Lender, against loss or damage by fire and such other hazards, casualties and contingencies and by such companies, on such forms and in the amount of the replacement cost of the buildings or improvements on the Property, and to deliver the original of all such policies to Lender, together with receipts satisfactory to Lender evidencing payment of the premiums. All such policies shall provide that Lender shall be given thirty (30) days advance written notice of the cancellation, expiration or termination of any such policy or any material change in the coverage afforded by it. Renewal policies and any replacement policies, together with premium receipts satisfactory to Lender, shall be delivered to Lender at least thirty (30) days prior to the expiration of existing policies. Neither Trustee nor Lender shall by reason of accepting, rejecting, approving or obtaining insurance incur any liability for the existence, nonexistence, form or legal sufficiency of such insurance, or solvency of any insurer for payment of losses.

4.3 *Payment of Taxes and Utility Charges.* To pay, at least ten (10) days prior to delinquency, all taxes and assessments, both general and special, fines, penalties, levies and charges of every type or nature levied upon or assessed against any part of the Property.

SAMPLE

4.4 *Payment and Discharge of Liens.* Borrower shall pay, when due, all claims of every kind and nature which might or could become a lien on the Property or any part thereof and will not at any time create or allow to exist any lien on the Property or any part thereof of any kind or nature other than this Deed of Trust; provided, however, that the following are excepted from this prohibition: (a) liens for taxes and assessments which are not delinquent although by law are given the status of a lien, and (b) such of the above claims as are, and only during the time they are, being contested by Borrower in good faith and by appropriate legal proceedings, and (c) such deeds of trust as are approved by Lender in writing. Borrower shall post security for the payment of these contested claims as may be requested by Lender. Borrower shall not default in the payment or performance of any obligation secured by a lien, mortgage or deed of trust which is superior to this Deed of Trust.

5. IT IS MUTUALLY AGREED THAT:

5.1 *Awards and Damages.* All judgments, awards of damages, settlements and compensation made in connection with or in lieu of (a) taking of all or any part of or any interest in the Property by or under assertion of the power of eminent domain, (b) any damage to or destruction of the Property or any part thereof by insured casualty, and (c) any other injury or damage to all or any part of the Property, are hereby assigned to and shall be paid to Lender. Lender is authorized and empowered (but not required) to collect and receive any such sums and is authorized to apply them in whole or in part upon any indebtedness or obligation secured hereby, in such order and manner as Lender shall determine at its option. Lender shall be entitled to settle and adjust all claims under insurance policies provided under this Deed of Trust and may deduct and retain from the proceeds of such insurance the amount of all expenses incurred by it in connection with any such settlement or adjustment. All or any part of the amounts so collected and recovered by Lender may be released to Borrower upon such conditions as Lender may impose for its disposition. Application of all or any part of the amounts collected and received by Lender or the release thereof shall not cure or waive any default under this Deed of Trust. If the Property is abandoned by Borrower, or if, after notice by Lender to Borrower that the condemnor offers to make an award or settle a claim for damages, Borrower fails to respond to Lender within thirty (30) days after the date such notice is mailed, Lender is authorized to collect and apply the proceeds, at Lender's option, either to restoration or repair of the Property or to the sum secured by this Deed of Trust.

5.2 *Sale or Forbearance.* No sale of the Property, forbearances on the part of Lender or extension of the time for payment of the indebtedness hereby secured shall operate to release, discharge, waive, modify, change or affect the liability of Borrower either in whole or in part.

5.3 *Lender's Rights to Release.* Without affecting the liability of any person for payment of any indebtedness hereby secured (other than any person released pursuant hereto), including without limitation any one or more endorsers or guarantors, and without affecting the lien hereof upon any of the Property not released pursuant hereto, at any time and from time to time without notice: (a) Lender may, at its sole discretion, (i) release any person now or hereafter liable for payment of any or all such indebtedness, (ii) extend the time for or agree to alter the terms of payment of any or all of such indebtedness, and (iii) release or accept additional security for such indebtedness, or subordinate the lien or charge hereof; and (b) Trustee, acting pursuant to the written request of Lender, may reconvey all or any part of the Property, consent to the making of any map or plat thereof, join in granting any easement thereon, or join in any such agreement of extension or subordination.

5.4 *Reconveyance.* Upon written request of Lender stating that all sums and obligations secured hereby have been discharged, or otherwise as requested in writing by Lender, and upon surrender of this Deed of Trust and the Note and any additional loan notes to Trustee for cancellation, and upon payment to Trustee of its fees and expenses, Trustee shall reconvey, without warranty, the Property or that part thereof then held hereunder. The recitals in any reconveyance shall be conclusive proof of their truthfulness and the grantee in any such reconveyance may be described "as the person or persons legally entitled thereto." When the Property has been fully reconveyed, the last such reconveyance shall operate as a reassignment of all of the rents, royalties, issues, accounts and profits of the Property to the person or persons legally entitled thereto unless such reconveyance expressly provides to the contrary.

5.5 Payment of Principal and Interest. Borrower shall promptly pay when due the principal of and interest (if applicable) on the indebtedness evidenced by the Note and late charges as provided by the Note.

5.6 Application of Payments. Unless applicable law provides otherwise, all payments received by Lender under the Note will be applied by Lender first to interest payable on the Note, and then to the outstanding principal of the Note.

SAMPLE

5.7 *Repayment of loan*. The indebtedness secured by this deed of trust is a deferred payment obligation. The borrower shall repay to the Lender the principal, interest and any other amounts due under this Note on the earliest of the following occurrence:

(a) The First Note and First Deed of Trust 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 becomes due and payable for any reason.

6. EVENTS OF DEFAULT:

6.1 *Events of Default*. Any one or more of the following events shall constitute a default under this Deed of Trust: (a) failure of Borrower to pay the indebtedness secured hereby or any installment thereof, whether principal, interest or otherwise, when and as the same become due and payable, whether at maturity or by acceleration or otherwise; or (b) failure of Borrower to observe or to perform any covenant, condition or agreement to be observed or performed by Borrower pursuant to the Note or this Deed of Trust; or (c) the occurrence of any event which, under the terms of the Note, shall entitle Lender to exercise the rights or remedies thereunder; or (d) the occurrence of any event under the terms of The First Note or Deed of trust on the Property, shall entitle Lender to exercise the rights or remedies thereunder.

6.2 *Acceleration and Sale.*

(a) Acceleration. In the event of any default Lender, without demand on Borrower, may declare all sums hereby secured immediately due and payable by notice thereof to Borrower or by executing and recording or by causing Trustee to execute and record a notice of default and election to cause the Property to be sold to satisfy the obligations secured hereby or by the commencement of an appropriate action to foreclose this Deed of Trust or by any other appropriate manner;

(b) Sale. After delivery to Trustee of a notice of default and demand for sale and after the expiration of such time and the giving of such notice of default and sale as may then be required by law, and without demand on Borrower, Trustee shall sell the Property at the time and place of sale fixed by it in said notice of sale, at public auction to the highest bidder for cash in lawful money of the United States of America, payable at time of sale. Trustee may postpone sale of all or any portion of the Property by public announcement at such time and place of sale and from time to time thereafter may postpone such sale by public announcement at the time and place fixed by the preceding postponement. Any person, including Borrower, Trustee or Lender, may purchase at such sale. Upon such sale by Trustee it shall deliver to such purchaser its deed conveying the Property so sold, but without any covenant or warranty expressed or implied.

The recitals in such deed of any matters or facts shall be conclusive proof of their truthfulness. Upon sale by Trustee, and after deducting all costs, expenses and fees of Trustee and of this Deed of Trust, Trustee shall apply the proceeds of sale to the payment of the principal indebtedness hereby secured, whether evidenced by the Note or otherwise, or representing advances made or costs or expenses paid or incurred by Lender under this Deed of Trust, or any other instrument evidencing or securing any indebtedness hereby secured and to the payment of all other sums then secured hereby, including interest as provided in this Deed of Trust, or any other instrument evidencing or securing any indebtedness hereby secured, in such order as Lender shall direct; and then the remainder, if any, shall be paid to the person or persons legally entitled thereto.

6.3 *Attorney's Fees.* If Trustee or Lender shall be made parties to or shall intervene in any action or proceeding affecting the Property or the title thereto or the interest of Trustee or Lender under this Deed of Trust, or if Lender employs an attorney to collect any or all of the indebtedness hereby secured or to foreclose this Deed of Trust, or authorizes Trustee to conduct trustee's sale proceedings hereunder, then Trustee and Lender shall be reimbursed by Borrower, immediately and without demand, for all reasonable costs, charges and attorney's fees incurred by them or either of them in any such case whether or not suit be commenced, and the same, together with interest thereon from the date of payment at the rate of ten percent (10%) per annum.

6.4 *Exercise of Remedies; Delay.* No exercise of any right or remedy by Lender or Trustee hereunder shall constitute a waiver of any other right or remedy herein contained or provided by law, and no delay by Lender or Trustee

SAMPLE

in exercising any such right or remedy hereunder shall operate as a waiver thereof or preclude the exercise thereof during the continuance of any default hereunder.

6.5 *Trustee Substitution.* The irrevocable power to appoint a substitute trustee or trustees hereunder is hereby expressly granted to Lender, to be exercised at any time hereafter, without specifying any reason therefor by filing for record in the office where this Deed of Trust is recorded a substitution of trustee, and said power of appointment of successor trustee or trustees may be exercised as often as and whenever Lender deems advisable. The exercise of said power of appointment, no matter how often, shall not be deemed an exhaustion thereof, and upon recording of such deed or deeds of appointment, trustee or trustees so appointed shall thereupon, without further act or deed of conveyance, succeed to and become fully vested with identically the same title and estate in and to the Property hereby conveyed and with all the rights, powers, trusts and duties of the predecessor in the trust hereunder, with the like effect as if originally named as trustee or as one of the trustees.

6.6 *Remedies Cumulative.* No remedy herein contained or conferred upon Lender or Trustee is intended to be exclusive of any other remedy or remedies afforded by law or by the terms hereof to Lender or Trustee but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity.

7. MISCELLANEOUS PROVISIONS:

7.1 *Successors, Assigns, Gender, Number.* The covenants and agreements herein contained shall bind, and the benefit and advantages shall inure to, the respective heirs, executors, administrators, successors and assigns of the parties. Wherever used, the singular number shall include the plural, and the plural the singular, and the use of any gender shall be applicable to all genders.

7.2 *Headings.* The headings are inserted only for convenience of reference and in no way define, limit, or describe the scope or intent of this Deed of Trust, or of any particular provision thereof, or the proper construction thereof.

7.3 *Actions on Behalf of Lender.* Except as otherwise specifically provided herein, whenever any approval, notice, direction, consent, request or other action by Lender is required or permitted under this Deed of Trust, such action shall be in writing.

7.4 *Terms.* The word "Lender" means the present Lender, or any future owner or holder, including pledgee, of the indebtedness secured hereby.

7.5 *Obligations of Borrower.* If more than one person has executed this Deed of Trust as "Borrower," the obligations of all such persons hereunder shall be joint and several.

7.6 *Severability.* If any provision of this Deed of Trust 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.

7.7 *Indemnification.* Borrower shall indemnify and hold Lender, its officers and agents harmless against any and all losses, claims, demands, penalties and liabilities which Lender, its officers or agents may sustain or suffer by reason of anything done or omitted in good faith pursuant to or in connection with this Deed of Trust and not assert any claim against Lender, its officers or agents by reason of any action so taken or omitted. Borrower shall, at Borrower's expense, defend, indemnify, save and hold Lender, its officers and agents harmless from any and all claims, demands, losses, expenses, damages (general, punitive or otherwise), causes of action (whether legal or equitable in nature) asserted by any person, firm, corporation or other entity arising out of this Deed of Trust and Borrower shall pay Lender upon demand all claims, judgments, damages, losses or expenses (including reasonable legal expense) incurred by Lender as a result of any legal action arising out of this Deed of Trust.

7.8 *Recording Order and Subordination.* This Deed of Trust shall be recorded in 2nd lien position. This Deed of Trust is subordinate to the First Deed of Trust. Except for the aforementioned subordination, this Deed of Trust is intended to be and remain at all times prior and superior to any other deeds of trust on the Property.

7.9 *HUD Insurance.* Notwithstanding any provision in this Deed of Trust to the contrary, if applicable, the provisions of the HUD purchase money deed of trust recorded concurrently herewith shall control to the extent that its

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provisions conflict with the provisions of this Deed of Trust. Moreover, any legal restrictions on conveyance of the property contained herein, or in any other loan document associated with the loan secured by this Deed of Trust, will automatically terminate if title to the property is transferred by foreclosure or deed in lieu of foreclosure or if this Deed of Trust is assigned to the Secretary of HUD.

7.10 *Notice*. The Borrower has requested that a copy of any notice of default and of any notice of sale hereunder be mailed to the Borrower at the Property address set forth above in paragraph one (1).

IN WITNESS WHEREOF, Borrower has executed this Deed of Trust on the day and year set forth above.

Borrower	Borrower
Borrower	Borrower
Borrower	Borrower

TIL and NMLSR ID

Loan Originator Company Name	Loan Originator Company NMLSR ID
Loan Originator Individual Name (as name appears on NMLSR)	Loan Originator Individual NMLSR ID (if applicable)

SAMPLE

ACKNOWLEDGEMENTS

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
) ss.
County of _____)

On _____ before me, _____, a Notary Public, personally appeared _____ _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under penalty of perjury under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

_____
Signature *(Seal)*

SAMPLE

PROMISSORY NOTE
SCHOOL TEACHER AND EMPLOYEE ASSISTANCE PROGRAM
[With FHA or VA First Loans Only]

Property Address: _____

$ _____ _____ , 20 _____
Date of this Note

FOR VALUE RECEIVED, the undersigned, _____ _____ (the "Borrower") hereby promises to pay to the order of the _____, its assignees or holder, whose address is _____ (the "Lender") as further provided herein, a principal amount equal to _____ Dollars ($_____), with simple interest at the rate of _____ Percent (__%) per annum on the unpaid principal balance from the date of this Promissory Note (the "Note"), until paid. 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 (School Teacher and Employee Assistance Program) [With FHA or VA First Loans Only]" (the "Deed of Trust"), and executed by the Borrower concurrently 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 Deed of Trust" – means that HUD or VA, as the case may be, purchase money note and deed of trust executed by the Borrower concurrently herewith and which is an encumbrance on the Property in a 1st priority lien position.

"Qualified Borrower" – means Lender has determined from documentation provided by the Borrower and his/her employer, that Borrower is employed as a teacher, administrator, school district employee and/or staff member working for any California K-12 public school, which includes Charter schools and county/continuation schools and will occupy the Property as his/her principal residence.

RECITALS

1. *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 accrued interest shall be due and payable as set forth in paragraph 3 (Repayment of Loan Principal and Interest) below, or upon Acceleration of Payment as set forth in paragraph 4 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. *Repayment of Loan Principal and Interest.* This is a deferred payment obligation. The Borrower shall repay to the Lender the principal, interest and any other amounts due under this Note on the earliest of the following occurrences:

(1) The First Note and First Deed of Trust on the Property is paid in full or reaches its maturity date, whichever occurs first;
(2) The First Note and First Deed of Trust on the Property is refinanced; or

SAMPLE

(3) The First Note and First Deed of Trust on the Property becomes due and payable for any reason.

4. *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:

(1) In the event of a default under the terms of this Note or the Deed of Trust securing this Note;
(2) In the event of a default under the terms of the First Note or First Deed of Trust on the Property.

5. *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.

6. *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 reduction of the principal.

7. *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.

8. *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 and Deed of Trust, shall automatically become 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.

9. *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.

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

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

12. *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.

13. *Time.* Time is of the essence in this Note.

14. *No Waiver by the Lender.* No waiver of any breach, default of failure of condition under the terms of the Note or Deed of Trust shall thereby 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 the Note, 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.

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15. *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

TIL and NMLSR ID

Loan Originator Company Name	Loan Originator Company NMLSR ID
Loan Originator Individual Name (as name appears on NMLSR)	Loan Originator Individual NMLSR ID (if applicable)

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