

NOTE

**California Housing Finance Agency
Dream for All Program**

Loan ID: _____

Note Date: _____, _____ City: _____ State: _____

Property Address: _____

1. BORROWER’S PROMISE TO PAY

In return for a loan in the amount of U.S. \$ _____ (the “Principal”) that I have received from _____ (the “Lender”),

I promise to pay the Principal, plus accrued interest, 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 and agree that the loan evidenced by this Note is not a “Shared Appreciation Loan” within the meaning of Chapter 3.5 of Title 4, Part 4, Division 3 of the California Civil Code (§§ 1917 — 1917.006).

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

Interest shall accrue hereunder as contingent deferred interest in the form of a ____% share of the Appreciation of the Property. “Appreciation of the Property” means and is equivalent to the valuation of the Property at the time of the Maturity Date (as defined in Section 3) less the sales price of the Property at the time that this Note was originated. At the time of the Maturity Date, upon a notice of default provided to the Borrower by the Lender (a “NOD”), or when an Entitled Person delivers to Lender a written request for a Payoff Demand Statement (as used here, the terms “Entitled Person” and “Payoff Demand Statement” have the same meaning as they are defined in Civil Code § 2943), Lender will obtain valuation of the Property for the purpose of determining the amount of Interest required to satisfy this Note. Such valuation shall be based upon the resale price of the property only in an arms-length transaction; in any other context such valuation shall be based on an appraisal prepared for Lender by an appraiser licensed by the State of California at Lender’s direction, or a third-party commercial automated valuation model. I agree to make the Property available for the purposes of such valuation by Lender’s independent valuation provider during regular business hours within three (3) days of the earliest of: Maturity Date, the date of a NOD, or the date when an Entitled Person delivers to Lender a written request for a Payoff Demand Statement. The method of determining such valuation is within the Lender’s sole and absolute discretion, and I agree that the valuation obtained by the Lender will be conclusive and that I have no right to challenge or otherwise object to the valuation.

In no event will I be required to pay Interest in excess of an amount equal to two and one-half times (2.5x) the Principal at the time that this Note was originated.

3. PAYMENTS

(A) Time and Place of Payments

This is a deferred payment obligation. I will pay the Principal and any Interest on the “Maturity Date,” which is the earliest of any of the following dates, each of which shall be a “Maturity Event”:

- (i) _____;
- (ii) the date on which the property (or any interest therein) securing this Note (the “Property”) is sold or otherwise transferred, except that transfers (A) to a person exempt under the Fannie Mae Servicing Guide from enforcement of the due-on sale clause of the deed of trust securing the First Lien Note, or otherwise approved by or on behalf of the holder of the First Lien Note, or (B) granting a lien to secure a new First Lien Note as permitted in clause (iii) below, shall not constitute Maturity Events;

- (iii) the date on which the “First Lien Note” is refinanced or otherwise paid in full (the “First Lien Note” is the note that evidences 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 any other later note evidencing a loan refinancing the First Lien Note in accordance with this Note), except that a repayment of the initial First Lien Note in connection with a limited cash-out refinance, as defined in the Fannie Mae Selling Guide and in compliance with the DFA Resubordination Policy published on the [California Housing Finance Agency website](https://www.calhfa.ca.gov/homeownership/programs/policy-resubordination-cadfa.pdf) (<https://www.calhfa.ca.gov/homeownership/programs/policy-resubordination-cadfa.pdf>), shall not constitute a Maturity Event;
- (iv) the date on which the servicer for the First Lien Note records a notice of default pursuant to Section 2924 of the Civil Code; or
- (v) the date on which the Principal is fully prepaid.

I may be required to pay this Note in full before the Maturity Date if I default under this Note or the “Security Instrument” (defined in Section 10 below).

I will make my Principal and any Interest payment at:

California Housing Finance Agency
Loan Administration, MS955
500 Capitol Mall Suite 400
Sacramento, CA 95814

or at a different place if required by the Note Holder.

4. PREPAYMENT

I may prepay all or part of the Principal amount due under this Note. Such payment of is known as a “Prepayment.” However, if I prepay the entire Principal of this Note (a “Complete Repayment”), I understand this is a Maturity Event pursuant to section 3.(A)(v) and the entire Interest then outstanding will be immediately due and payable. Before I make a Complete Prepayment, I will notify the Note Holder in writing that I am doing so no less than 30 days before I intend to make such Prepayment. I understand that if I notify the Note Holder of my intent to make a Complete Prepayment, the Note Holder will obtain a valuation of the Property for the purpose of determining the amount of interest required to satisfy this Note. I agree to make the Property available for the purposes of such valuation by Lender’s independent valuation provider during regular business hours within three (3) days of the date I deliver notice to the Note Holder of my intent to prepay. I agree that the valuation obtained by the Note Holder will be conclusive and that I have no right to challenge or otherwise object to the valuation.

5. LOAN CHARGES

If applicable law sets maximum loan charges, and that law is finally interpreted so that any interest or other loan charges collected or to be collected in connection with the loan exceed the permitted limits, then any such loan charge will be reduced by the amount necessary to reduce the charge to the permitted limit, and any sums already collected from me that exceeded permitted limits will be refunded to me. The Note Holder may choose to make this refund by reducing the Principal I owe under this Note or by making a direct payment to me.

6. BORROWER’S FAILURE TO PAY AS REQUIRED

(A) Late Charges for Overdue Payments

Note Holder will not impose late charges for overdue payments.

(B) Default

I will be in default under this Note if:

- (i) I do not pay the full amount of Principal and Interest, if any, on the Maturity Date;
- (ii) I fail to comply with the terms of the “Security Instrument” (defined in Section 10 below) securing this Note,
- (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.

(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 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.

(D) No Waiver By Note Holder

If I am in default and the Note Holder does not require me to pay the Default Balance immediately as described above, the Note Holder will still have the right to do so if I continue to be in default or if I am in default at a later time.

(E) Payment of Note Holder’s Costs and Expenses

If the Note Holder has required me to pay the Default Balance immediately as described above, the Note Holder will have the right to be paid back by me for all of its costs and expenses in enforcing this Note to the extent not prohibited by applicable law. Those expenses include, for example, reasonable attorneys’ fees and costs.

7. GIVING OF NOTICES

(A) Notice to Borrower

Unless applicable law requires a different method, any notice that must be given to me under this Note will be given by delivering it, or by mailing it by first class mail, to me at the Property Address above or at a different address if I give the Note Holder a notice of my different address. I will promptly notify the Note Holder of any change to my physical address and of any change to my mailing address. Unless applicable law requires otherwise, notice may instead be sent by e-mail or other electronic communication if agreed to by me and the Note Holder in writing and if I have provided the Note Holder with my current e-mail address or other electronic address. If I have agreed with the Note Holder that notice may be given by e-mail or other electronic communication, I will promptly notify the Note Holder of any changes to my e-mail address or other electronic address.

(B) Notice to Note Holder

Any notice that I must give to the Note Holder under this Note will be delivered by first class mail to the Note Holder at the address stated in Section 3(A) above or at a different address if I am given a notice of that different address.

8. OBLIGATIONS OF PERSONS UNDER THIS NOTE

If more than one person signs this Note, each person is fully and personally obligated to keep all of the promises made in this Note, including the promise to pay the full amount owed. Any person who is a guarantor, surety or endorser of this Note is also obligated to do these things. Any person who takes over these obligations, including the obligations of a guarantor, surety or endorser of this Note, is also obligated to keep all of the promises made in this Note. The Note Holder may enforce its rights under this Note against each person individually or against all of us together. This means that any one of us may be required to pay all of the amounts owed under this Note.

9. WAIVERS

I and any other person who has obligations under this Note waive the rights of Presentment and Notice of Dishonor. “Presentment” means the right to require the Note Holder to demand payment of amounts due. “Notice of Dishonor” means the right to require the Note Holder to give notice to other persons that amounts due have not been paid.

10. SECURED NOTE

In addition to the protections given to the Note Holder under this Note, a Mortgage, Mortgage Deed, Deed of Trust, or Security Deed (the “Security Instrument”), dated the same date as this Note, protects the Note Holder from possible losses that might result if I do not keep the promises that I make in this Note. That Security Instrument also describes how and under what conditions I may be required to make immediate payment of all amounts I owe under this Note. Some of those conditions are described as follows:

If all or any part of the Property or any Interest in the Property is sold or transferred (or if Borrower is not a natural person and a beneficial interest in Borrower is sold or transferred) without Lender's prior written consent, Lender may require immediate payment in full of all sums secured by this Security Instrument. However, Lender will not exercise this option if such exercise is prohibited by Applicable Law.

If Lender exercises this option, Lender will give Borrower notice of acceleration. The notice will provide a period of not less than 30 days from the date the notice is given in accordance with Section 14 within which Borrower must pay all sums secured by this Security Instrument. If Borrower fails to pay these sums prior to, or upon, the expiration of this period, Lender may invoke any remedies permitted by this Security Instrument without further notice or demand on Borrower and will be entitled to collect all expenses incurred in pursuing such remedies, including, but not limited to:

- (a) reasonable attorneys' fees and costs;
- (b) property inspection and valuation fees; and
- (c) other fees incurred to protect Lender's Interest in the Property and/or rights under this Security Instrument.

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 mortgage, mortgage deed, deed of trust, or security deed will receive title to the Property free and clear from such restrictions.

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

- Borrower (Seal)

- Borrower (Seal)

- Borrower (Seal)

- Borrower (Seal)

[Sign Original Only]

TIL and NMLSR ID

LOAN ORIGINATOR ORGANIZATION: _____ NMLSR ID#: _____

INDIVIDUAL LOAN ORIGINATOR NAME: _____ NMLSR ID#: _____