

Homeowner ID

**PROMISSORY NOTE (OPEN-ENDED CREDIT)
KEEP YOUR HOME CALIFORNIA PROGRAM**

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

Property Address:

\$

Date of this Note , 20

FOR VALUE RECEIVED, the undersigned, , (the "Homeowner") hereby promises to pay to the order of CalHFA Mortgage Assistance Corporation, a California nonprofit public benefit corporation (the "CalHFA MAC"), its assignees or holder, whose address is P.O. Box 5678, Riverside, CA 92517, as further provided herein, a principal amount initially equal to Dollars, (\$), with no interest accruing thereon. The obligation of the Homeowner with respect to this Promissory Note (this "Note") is secured by that certain Deed of Trust entitled "Deed of Trust (Keep Your Home California Program)" (the "Deed of Trust"), executed by Homeowner 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 certain note and deed of trust which is an encumbrance on the Property in a first (1st) priority lien position.

"Note" and "Deed of Trust" means this Note and the Deed of Trust signed by Homeowner for financial assistance provided by CalHFA MAC, or its designee, and which is an encumbrance on the Property in a junior lien position.

"Qualified Homeowner" means CalHFA MAC has determined, in its sole discretion from documentation provided by the Homeowner, that Homeowner is eligible to receive financial assistance under CalHFA MAC's Keep Your Home California Program and has satisfied all of the program criteria disclosed in writing to Homeowner, including, without limitation, occupying the Property as their principal residence and there being no occurrence of any of the events specified in paragraph 6 during the term of this Note.

1. *Homeowners Obligation.* This Note evidences the obligation of the Homeowner to CalHFA MAC for the repayment of funds provided on behalf of Homeowner to reduce amounts owed under the First Note and First Deed of Trust with respect to that certain real property ("Property") described in the Deed of Trust. Homeowner expressly authorizes CalHFA MAC to disburse such funds being advanced hereunder, if any, directly to Homeowner's First Note and First Deed of Trust mortgage servicer or lender. The amount of this Note shall be forgiven as set forth in paragraph 2(b). Notwithstanding the foregoing, this Note shall be due and payable as set forth in paragraph 5 below, or upon acceleration of payment as set forth in paragraph 6 below.

2. *Amounts.* The outstanding principal amount of this Note shall not accrue or bear any interest, subject to the following modifications, if applicable:

(a) The funds advanced pursuant to this Note may, at the option of CalHFA MAC, be advanced on Homeowner's behalf, at one or more intervals from time to time. The initial amount of financial assistance under this Note as stated above may be increased or decreased due to changes in Homeowner's employment, monthly mortgage payment and/or expenses incurred by Homeowner's First Note and First Deed of Trust lender in connection with Homeowner's default under the First Note and First Deed of Trust, either of which may occur after the initial assistance approval date, but in no case shall the outstanding principal amount of this Note exceed the actual amount of assistance provided by CalHFA MAC on behalf of the Homeowner or the maximum benefit assistance of the approved program in the amount equal to \$ _____ in the aggregate, whichever is less.

(b) If the Homeowner is a Qualified Homeowner at all times prior to and on the _____ year anniversary date ("Maturity Date") of this Note, then one hundred percent (100%) of the outstanding principal amount under this Note shall be reduced and forgiven. In addition to the foregoing sentence, if the Homeowner is not in default under any terms herein or the Deed of Trust, then at the sole discretion of CalHFA MAC the following may apply:

(1) If the Maturity Date of this Note is ten (10) years, then on the fifth (5th) year anniversary Date of this Note the outstanding principal balance shall be reduced by an amount equal to thirty-five percent (35%) of the original principal amount as may be modified under paragraph 2(a) of this Note.

(2) If the Maturity Date of this Note is thirty (30) years, then the following shall apply:

(i) On the fifth (5th) year anniversary Date of this Note, the outstanding principal balance shall be reduced by an amount equal to thirty-five percent (35%) of the original principal amount as may be modified under paragraph 2(a) of this Note;

(ii) On the tenth (10th) year anniversary Date of this Note, the outstanding principal balance shall be reduced by an amount equal to thirty percent (30%) of the original principal amount as may be modified under paragraph 2(a) of this Note;

(iii) On the fifteenth (15th) year anniversary Date of this Note, the outstanding principal balance shall be reduced by an amount equal to twenty percent (20%) of the original principal amount as may be modified under paragraph 2(a) of this Note;

(iv) On the twentieth (20th) year anniversary Date of this Note, the outstanding principal balance shall be reduced by an amount equal to five percent (5%) of the original principal amount as may be modified under paragraph 2(a) of this Note; and

(v) On the twenty-fifth (25th) year anniversary Date of this Note, the outstanding principal balance shall be reduced by an amount equal to five percent (5%) of the original principal amount as may be modified under paragraph 2(a) this Note.

3. *Occupancy.* Homeowner shall occupy the Property as Homeowner's principal place of residence during the term of this Note.

4. *Promissory Note Not Assumable, Prohibition on Transfer of Interests; Limited Exceptions.* The Homeowner shall not make any lease, sale, assignment, conveyance or transfer of the Property except as permitted. No transfer of this Note will be permitted, and no successor in interest to the Homeowner(s) will be permitted to assume the Homeowner(s) lien secured by the Deed of Trust except in the following limited circumstances:

(a) The transfer results from the death of a Homeowner and the transfer is to the surviving Co-Homeowner, or successor-in-interest as otherwise approved by CalHFA MAC, 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 Homeowner continues to occupy the Property and becomes the sole owner of the Property.

(c) A transfer by a Homeowner to an intervivos trust in which the Homeowner is the sole beneficiary.

5. *Repayment of Note Principal.* Unless one hundred percent (100%) of the principal amount of this Note has been forgiven pursuant to paragraph 2(b), or unless CalHFA MAC otherwise agrees in writing, Homeowner

shall repay to CalHFA MAC the outstanding principal 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 refinanced; and homeowner receives more than one percent (1%) of the principal amount of the new loan in cash or other value received; or
- (b) The First Note and First Deed of Trust on the Property is assumed; or
- (c) Title to the Property is transferred, except as allowed under paragraph 4.

6. *Acceleration of Payment.* The outstanding principal amount of this Note shall at the election of CalHFA MAC 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 that the Homeowner shall cease to occupy the Property as Homeowner's principal place of residence in accordance with paragraph 3;
- (c) In the event of any sale, or transfer, lease, rental or encumbrance of the Property in violation of paragraph 4 of this Promissory Note;
- (d) In the event of those circumstances specified in paragraph 5 of this Note; or
- (e) In the event the Homeowner provided false statements including, but not limited to, altered documentation resulting in the approval of financial assistance by CalHFA MAC.

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

8. *Attorney's Fees.* The Homeowner hereby agrees to pay all costs and expenses, including reasonable attorney's fees, which may be incurred by CalHFA MAC 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. The Homeowner agrees that the unpaid balance of the then principal amount of this Note, together with any charges owing, shall, at the option of CalHFA MAC or, if so provided in this Note and Deed of Trust executed by the Homeowner automatically become due and payable upon the failure of the Homeowner to perform or observe any other 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 CalHFA MAC 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 CalHFA MAC shall be in writing and may be communicated to the Homeowner at the address of the Property, or at such other place or places as the Homeowner shall designate to CalHFA MAC in writing, from time to time, for the receipt of communications from CalHFA MAC.

11. *No Prohibition Against Prepayment/Partial Payment.* Homeowner may prepay the full indebtedness evidenced by this Note at any time without penalty. Homeowner covenants to not make partial prepayments for the indebtedness evidenced by this Note, or any part thereof, prior to or in advance of the Maturity Date as described in paragraph 2(b).

12. *Homeowner Cooperation.* Homeowner agrees to execute such other documents as may be reasonably necessary to: (i) consummate the terms and conditions of this Note and Deed of Trust; and/or (ii) correct the terms and conditions of this Note and Deed of Trust if an error is detected after execution of this Note and Deed of Trust ("Corrected Note and Deed of Trust").

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

14. *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.

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

16. *No Waiver by CalHFA MAC.* No waiver of any breach, default of failure of condition under the terms of this Note or Deed of Trust shall thereby be implied from any failure of CalHFA MAC to take, or any delay by CalHFA MAC 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, 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.

17. *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.

_____	_____	_____	_____
Homeowner	Date	Homeowner	Date
_____	_____	_____	_____
Homeowner	Date	Homeowner	Date

SAMPLE