

Exhibit C

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EXIT PREMIUM NOTE

_____, 20____

[Property Address]

[insert identifying number for administrative tracking of note]

THIS NOTE (the “Note”) is given on _____, 20__ by and between [Borrower’s Name] (whether one or more person, hereinafter referred to as “Borrower”) and the **Secretary of Housing and Urban Development**, whose address is 451 Seventh Street, S.W., Washington, D.C., 20410 (hereinafter referred to as the “Lender”).

DEFINITIONS

A. **Event of Default.**

The term “Event of Default” shall mean any misrepresentation(s) made by the Borrower in the HOPE for Homeowners Consumer Disclosure and Certification.

B. **Initial Equity.**

In the event of the occurrence of a Maturity Event or an Event of Default, the Property’s Initial Equity is in the amount of _____ (\$_____). **[Insert amount equivalent to: The lesser of--(i) the appraised value of the Property that was used at the time of origination of the HOPE for Homeowners (H4H) Mortgage to underwrite the mortgage and to determine compliance with the maximum loan-to-value ratio at origination established by 12 U.S.C. § 1715z-23(e)(2)(B); or (ii) the outstanding amount due under all existing senior mortgages, existing subordinate mortgages, and non-mortgage liens on the Property; minus the original principal amount of the H4H Mortgage.]**

C. **Maturity Event.**

The refinance of the H4H Mortgage, a sale or any other disposition of all or any part of the Property (including the sale or disposition of a beneficial interest in the Property or foreclosure by a senior mortgagee) where there has been no refinance of the H4H Mortgage prior to such sale or disposition.

A Maturity Event shall not include the following:

- (a) a transfer by devise, descent, or operation of law on the death of a joint tenant or tenant by the entirety;
- (b) the granting of a leasehold interest of three (3) years or less not containing an option to purchase;
- (c) a transfer to a relative resulting from the death of the Borrower;
- (d) a transfer where the spouse or children of the Borrower become an owner of the property;
- (e) a transfer resulting from a decree of a dissolution of marriage, legal separation agreement, or from an incidental property settlement agreement, by which the spouse of the Borrower becomes an owner of the property; or
- (f) a transfer into an *inter vivos* trust in which the borrower is and remains a beneficiary and which does not relate to a transfer of rights of occupancy in the property.

RECITALS

R1. The Borrower has chosen to participate in the HOPE for Homeowners program as established by Title IV of the Housing and Economic Recovery Act of 2008 (the “H4H Program”) as amended by the Emergency Economic Stabilization Act of 2008 and the Helping Families Save Their Homes Act of 2009.

R2. As a participant in the H4H Program, the Borrower has a Federal Housing Administration (FHA) insured first mortgage of even date herewith in the amount of _____ **[Insert amount of the H4H Mortgage]** with _____ **[Insert First Lienholder Name]** secured by the Property as defined herein (the “H4H Mortgage”).

R3. Pursuant to the terms and conditions of the H4H Program, the Borrower shall grant the Lender an equity interest in the Property by executing this Note and an Exit Premium Mortgage (the “EPM”) of even date herewith with the EPM to be secured by a second priority lien against the Property.

NOW, THEREFORE, in exchange of good and valuable consideration, the receipt and legal sufficiency of which are hereby acknowledged and the mutual covenants herein contained, the parties do hereby agree as follows:

1. Borrower’s Promise to Pay.

Upon the occurrence of a Maturity Event, the Borrower hereby promises to pay to the order of the Lender principal based on Initial Equity pursuant to the following schedule:

(a) If the Maturity Event occurs during the period that begins on the date the H4H Mortgage becomes FHA-insured (the “Date of Insurance”) and ends one (1) year after the Date of Insurance, the Borrower shall pay the Lender one hundred percent (100%) of Initial Equity.

(b) If the Maturity Event occurs during the period that begins one (1) year following the Date of Insurance and ends two (2) years after such Date of Insurance, the Borrower shall pay the Lender ninety percent (90%) of Initial Equity.

(c) If the Maturity Event occurs during the period that begins two (2) years following the Date of Insurance and ends three (3) years after such Date of Insurance, the Borrower shall pay the Lender eighty percent (80%) of Initial Equity.

(d) If the Maturity Event occurs during the period that begins three (3) years following the Date of Insurance and ends four (4) years after such Date of Insurance, the Borrower shall pay the Lender seventy percent (70%) of Initial Equity.

(e) If the Maturity Event occurs during the period that begins four (4) years following the Date of Insurance and ends five (5) years after such Date of Insurance, the Borrower shall pay the Lender sixty percent (60%) of Initial Equity.

(f) If the Maturity Event occurs during any period that begins five (5) years following the Date of Insurance, the Borrower shall pay the Lender fifty percent (50%) of Initial Equity.

2. **H4H Mortgage Not Eligible for Insurance.** Lender agrees that if the H4H Mortgage is determined to be ineligible for insurance under the National Housing Act, the Note shall be void and the Lender shall execute and record a release for the EPM. A written statement of any authorized agent of the Lender dated subsequent to the date hereof, declining to insure the H4H Mortgage, shall be deemed conclusive proof of such ineligibility.

3. **Interest.** This Note shall not bear interest unless the principal amount due upon occurrence of a Maturity Event is not paid to Lender. If principal amount due is not paid, the principal sum due pursuant Paragraph 1 of this Note shall bear interest from the date of the Maturity Event at the rate of the current value of funds to the United States Treasury in effect on the date of the Maturity Event. The current value of funds rate is prescribed and published by the Secretary of the Treasury in the Federal Register and the Treasury Fiscal Requirements Manual Bulletins.

4. **Mortgage.** This Note is secured by an EPM, deed of trust, or similar security instrument of even date herewith between Borrower and Lender (the “Security

Instrument”). The Security Instrument encumbers certain real property located at **Insert Property Address** (the “Property Address”) and more fully described in the Security Instrument (the “Property”).

5. Payment.

(a) No regular monthly payments are due under this Note. A payment is due upon the occurrence of a Maturity Event pursuant to the terms and schedule provided in Paragraph 1 of this Note.

This Note is a deferred contingent liability. Principal and any interest on this Note and all other sums, which may or shall become due under this Note and the Security Instrument, shall be due and payable upon the occurrence of the Maturity Event (Maturity Date) if (1) not otherwise satisfied in accordance with the provisions of the Security Instrument, or (2) there is an Event of Default.

(b) Payment shall be made at Single Family Notes/H4H, PO Box 105053, Atlanta, GA 30348-5053, or at such place as Lender may designate in writing by notice to Borrower.

6. Prepayment. Borrower shall not have the right to prepay this Note, in whole or in part.

7. Grounds for Acceleration of Debt and Event of Default.

Upon the occurrence of an Event of Default, Lender may declare, without notice, immediately due and payable the principal and interest equivalent to the amount of Initial Equity due on this Note and all other sums which may or shall become due under the EPM or this Note.

8. Payment of Lender’s Costs and Expenses. If Lender has required immediate payment in full, as described above, Lender may require Borrower to pay costs and expenses including reasonable and customary attorney’s fees for enforcing this Note to the extent not prohibited by applicable law. Such fees and costs shall bear interest from the date of disbursement at a rate of the current value of funds to the United States Treasury in effect on the date of the date of disbursement and, at the option of Lender, shall be immediately due and payable. The current value of funds rate is prescribed and published by the Secretary of the Treasury in the Federal Register and the Treasury Fiscal Requirements Manual Bulletins.

9. Modifications. This Note shall not be modified, amended, changed, discharged, or terminated orally. This Note may only be modified, amended, changed, discharged, or terminated by an agreement in writing signed by the party against whom enforcement of such modification, amendment, change, discharge, or termination is sought.

10. Notices. Any notice to Borrower provided for in this Note shall be given by delivering it or by mailing it by first class mail unless applicable law requires use of

another method. The notice shall be directed to the Property Address or any other address Borrower designates by notice to Lender. Any notice to Lender shall be given by first class mail to Lender's address stated herein or any address Lender designates by notice to Borrower. Any notice provided for in this Note shall be deemed to have been given to Borrower or Lender when given as provided in this paragraph.

11. **Time of the Essence.** Time is of the essence as to all dates set forth herein.

12. **Waivers.** Borrower and all endorsers, sureties and guarantors jointly and severally waive presentation for payment, demand for payment, notice of nonpayment, notice of protest, notice of dishonor, protest, notice of protest, and any and all lack of diligence or delays in collection or enforcement of this Note.

13. **Successors and Assigns Bound.** The covenants and agreements of this Note shall bind and benefit the successors and assigns of Lender and Borrower. The covenants and agreements of Borrower under this Note are not assignable without the prior written consent of Lender.

14. **Governing Law; Severability.** This Note shall be governed by Federal law. In the event that any provision or clause of this Note or the Security Instrument conflicts with applicable law, such conflict shall not affect other provisions of this Note or the Security Instrument which can be given effect without the conflicting provision. To this end the provisions of this Note and the Security Instrument are declared to be severable.

15. **Authority to Execute.** The representative of Borrower executing this Note represents that he/she has full power, authority and legal right to execute and deliver this Note and that the debt hereunder constitutes a valid and binding obligation of Borrower.

BY SIGNING BELOW, Borrower accepts and agrees under seal to the terms and covenants contained in this Note.

BORROWER:

By: _____ (SEAL)

Name: _____

By: _____ (SEAL)

Name: _____

[NOTE: THE FOLLOWING IS A SAMPLE MODEL MORTGAGE FORM THAT IS NOT ADAPTED FOR STATE LAW. THE FHA-APPROVED MORTGAGEE EXTENDING THE FIRST MORTGAGE IS RESPONSIBLE FOR ADAPTING PROVISIONS WITHIN THIS MODEL FORM TO STATE LAW ON BEHALF OF HUD. THE GENERAL SUBSTANCE OF EACH PROVISION SHOULD NOT CHANGE FROM THE MODEL FORM. IF THERE IS A CONFLICT BETWEEN SUBSTANTIVE CONTENT OF A PARTICULAR PROVISION AND STATE LAW, THE MORTGAGEE SHALL CONTACT FHA FOR FURTHER GUIDANCE.]

After Recording Return To:

[Insert where to return recorded document]

_____ **[Space Above This Line For Recording Data]** _____

[insert identifying number for administrative tracking of mortgage]

EXIT PREMIUM MORTGAGE

THIS EXIT PREMIUM MORTGAGE (the “EPM”) is given on _____, 20__ by and between _____ **[Insert Borrower’s Name]** (whether one or more person, hereinafter referred to as “**Borrower**”) and the **Secretary of Housing and Urban Development**, whose address is 451 Seventh Street, S.W., Washington, D.C., 20410 (hereinafter referred to as the “**Lender**”). **[Insert the following language if the EPM is registered with MERS... “with Mortgage Electronic Registration Systems, Inc., organized and existing under the laws of Delaware, with an address and telephone number of P.O. Box 2026, Flint, Michigan 48501-2026, tel. (888) 679-MERS (“MERS”) acting solely as a nominee for Lender and Lender’s successors and assigns. FOR PURPOSES OF RECORDING THIS MORTGAGE, MERS IS THE MORTGAGEE OF RECORD.”]**

DEFINITIONS

A. Event of Default.

The term “Event of Default” shall mean any misrepresentation(s) made by the Borrower on the HOPE for Homeowners Consumer Disclosure and Certification.

B. Initial Equity.

In the event of the occurrence of an Maturity Event or an Event of Default, the Property’s Initial Equity is in the amount of _____ (\$_____). **[Insert amount equivalent to: The lesser of--(i) the appraised value of the Property that was used at the time of origination of the HOPE for Homeowners (H4H) Mortgage to underwrite the mortgage and to determine**

compliance with the maximum loan-to-value ratio at origination established by 12 U.S.C. § 1715z-23(e)(2)(B); or (ii) the outstanding amount due under all existing senior mortgages, existing subordinate mortgages, and non-mortgage liens on the Property; minus the original principal amount of the H4H Mortgage.]

C. Maturity Event.

The refinance of the H4H Mortgage, a sale or any other disposition of all or any part of the Property (including the sale or disposition of a beneficial interest in the Property or foreclosure by a senior mortgagee) where there has been no refinance of the H4H Mortgage prior to such sale or disposition.

A Maturity Event shall not include the following:

- (a) a transfer by devise, descent, or operation of law on the death of a joint tenant or tenant by the entirety;
- (b) the granting of a leasehold interest of three (3) years or less not containing an option to purchase;
- (c) a transfer to a relative resulting from the death of the Borrower;
- (d) a transfer where the spouse or children of the Borrower become an owner of the property;
- (e) a transfer resulting from a decree of a dissolution of marriage, legal separation agreement, or from an incidental property settlement agreement, by which the spouse of the Borrower becomes an owner of the property; or
- (f) a transfer into an *inter vivos* trust in which the borrower is and remains a beneficiary and which does not relate to a transfer of rights of occupancy in the property.

RECITALS

R1. Borrower is the owner of property located in _____ County, _____ more particularly described on **Schedule A** annexed hereto which has the address of _____ [Street], _____, _____, _____ [Zip code], (the "Property Address").

R2. The Borrower has chosen to participate in the HOPE for Homeowners program as established by Title IV of the Housing and Economic Recovery Act of 2008 as amended by the Emergency Economic Stabilization Act of 2008 and the Helping Families Save Their Homes Act of 2009 (the "H4H Program").

R3. As a participant in the HOPE Program, the Borrower has a Federal Housing Administration (FHA) first mortgage of even date herewith in the amount of _____ **[Insert amount of the H4H Mortgage]** with _____

[Insert First Lienholder Name] secured by the Property as defined herein (the “H4H Mortgage”).

R4. Pursuant to the terms and conditions of the H4H Program, the Borrower shall grant the Lender an equity and appreciation interest in the Property by executing an Exit Premium Note (the “Note”) and this EPM of even date herewith with this EPM to be secured by a second priority lien against the Property.

NOW, THEREFORE, in exchange of good and valuable consideration, the receipt and legal sufficiency of which are hereby acknowledged and the mutual covenants herein contained, the parties do hereby agree as follows:

1. Borrower promises to pay the principal sum stipulated in the Note and all other sums which may or shall become due under this EPM or the Note, upon the occurrence of a Maturity Event (the “Maturity Date”), if (a) not otherwise satisfied in accordance with the provisions of this EPM or (b) there is an Event of Default.

2. This EPM secures (a) the repayment of the debt evidenced by the Note; (b) the performance of Borrower’s promises and agreements under this EPM and the Note. For this purpose, Borrower hereby mortgages, warrants, grants, and conveys to Lender a security interest, with power of sale, in the Property;

TOGETHER WITH all the improvements now or hereafter erected on the property, and all easements, appurtenances, and fixtures now or hereafter a part of the property. All replacements and additions shall also be covered by this EPM.

BORROWER COVENANTS that Borrower is lawfully seized of the estate hereby conveyed and has the right to mortgage, grant and convey the Property and that the Property is unencumbered, except for encumbrances of record. Borrower warrants and will defend generally the title to the Property against all claims and demands, subject to any encumbrances of record.

UNIFORM COVENANTS

1. Payment of Principal and Interest.

Upon the occurrence of a Maturity Event, the Borrower hereby promises to pay to the order of the Lender principal based on Initial Equity pursuant to the following schedule:

(A) If the Exit Premium Maturity Event occurs during the period that begins on the date the H4H Mortgage becomes FHA-insured (the “Date of Insurance”) and ends one (1) year after the Date of Insurance, the Borrower shall pay the Lender one hundred percent (100%) of Initial Equity.

- (B) If the Maturity Event occurs during the period that begins one (1) year following the Date of Insurance and ends two (2) years after such Date of Insurance, the Borrower shall pay the Lender ninety percent (90%) of Initial Equity.
- (C) If the Maturity Event occurs during the period that begins two (2) years following the Date of Insurance and ends three (3) years after such Date of Insurance, the Borrower shall pay the Lender eighty percent (80%) of Initial Equity.
- (D) If the Maturity Event occurs during the period that begins three (3) years following the Date of Insurance and ends four (4) years after such Date of Insurance, the Borrower shall pay the Lender seventy percent (70%) of Initial Equity.
- (E) If the Maturity Event occurs during the period that begins four (4) years following the Date of Insurance and ends five (5) years after such Date of Insurance, the Borrower shall pay the Lender sixty percent (60%) of Initial Equity.
- (F) If the Maturity Event occurs during any period that begins five (5) years following the Date of Insurance, the Borrower shall pay the Lender fifty percent (50%) of Initial Equity.

The Note shall not bear interest unless the principal amount due upon occurrence of a Maturity Event is not paid to Lender. If the principal amount due is not paid, the principal sum due pursuant Paragraph 1 of the Note shall bear interest from the date of the Maturity Event at the rate of the current value of funds to the United States Treasury in effect on the date of the Maturity Event. The current value of funds rate is prescribed and published by the Secretary of the Treasury in the Federal Register and the Treasury Fiscal Requirements Manual Bulletins.

Lender agrees that if the H4H Mortgage is determined to be ineligible for insurance under the National Housing Act, the Note shall be void and the Lender shall execute and record a release for the EPM. A written statement of any authorized agent of the Lender dated subsequent to the date hereof, declining to insure the H4H Mortgage, shall be deemed conclusive proof of such ineligibility.

4. **Payment of Taxes, Insurance, and Other Charges.** Borrower shall pay all (a) taxes and special assessments levied or to be levied against the Property; (b) leasehold payments or ground rents on the Property; (c) Community Association Dues, Fees, and Assessments, (c) governmental or municipal charges, fines, and impositions; (d) other items which can attain priority over this Security Instrument as a lien or encumbrance on the Property. The phrase "Community Association Dues, Fees, and Assessments" means all dues, fees, assessments and other charges that are imposed on

Borrower or the Property by a condominium association, homeowners association or similar organization. Borrower shall pay these obligations on time directly to the entity owed the payment. If failure to pay would adversely affect Lender's interest in the Property, upon Lender's request, Borrower shall promptly furnish to Lender receipts evidencing these payments.

If Borrower fails to make these payments, fails to perform any other covenants and agreements contained in this EPM, or there is a legal proceeding that may significantly affect Lender's rights in the Property (such as a proceeding in bankruptcy, for condemnation, or to enforce laws or regulations), then Lender may do and pay whatever is necessary to protect the value of the Property and Lender's rights in the Property, including payment of taxes and hazard insurance.

Any amounts disbursed by Lender under this paragraph shall become an additional debt of Borrower and be secured by this EPM. These amounts shall bear interest from the date of disbursement at a rate of the current value of funds to the United States Treasury in effect on the date of the date of disbursement and, at the option of Lender, shall be immediately due and payable. The current value of funds rate is prescribed and published by the Secretary of the Treasury in the Federal Register and the Treasury Fiscal Requirements Manual Bulletins.

Borrower shall promptly discharge any lien which has priority over this EPM or is subordinate to this EPM unless the lien has priority as provided in Paragraph 9. If Lender determines that any part of the Property is subject to a lien that may either attain priority over this EPM or be subordinate to this EPM, Lender may give Borrower a notice identifying the lien. Borrower shall satisfy the lien or take one or more of the actions set forth above within ten (10) days of the giving of notice.

5. **Fire, Flood and Other Hazard Insurance.** Borrower shall insure all improvements on the Property, whether now in existence or subsequently erected, against any hazards, casualties, and contingencies, including fire, for which Lender requires insurance. This insurance shall be maintained in the amounts and for the periods that Lender requires. Borrower shall also insure all improvements on the Property, whether now in existence or subsequently erected, against loss by floods to the extent required by the Lender. All insurance shall be carried with companies approved by Lender. The insurance policies and any renewals shall be held by Lender and shall include loss payable clauses in favor of, and in a form acceptable to, Lender.

If any improvement is located within the special flood hazard area, Borrower shall obtain flood insurance covering all improvements on the property, whether now in existence or subsequently erected, in an amount equal to (a) the value of the Property, or (b) the maximum limit of coverage made available under the National Flood Insurance Act of 1968, whichever is less. If any improvement on the Property is located within a special flood hazard area, Borrower shall insure all improvements on the Property, whether now in existence or subsequently erected, against loss by floods to the extent required by law. The insurance policies and any renewals, regardless of whether

such policies and renewals are required by Lender, shall include loss payable clauses in favor of, and in a form acceptable to, Lender.

In the event of loss, Borrower shall give Lender immediate notice by mail. Lender may make proof of loss if not made promptly by Borrower. Each insurance company concerned is hereby authorized and directed to make payment for such loss directly to Lender, instead of to Borrower and to Lender jointly. All or any part of the insurance proceeds may be applied by Lender, at its option, either (a) to the reduction of the indebtedness under the Note and this EPM, or (b) to the restoration or repair of the damaged Property. Any excess insurance proceeds over an amount required to pay all outstanding indebtedness under the Note and this EPM shall be paid to the entity legally entitled thereto.

In the event of foreclosure of this EPM or other transfer of title to the Property that extinguishes the indebtedness, all rights, title and interests of Borrower in and to insurance policies in force shall pass to the purchaser.

6. **Maintenance and Protection of Property.** Borrower shall not commit, or permit, any waste on, destruction to, or damage to the Property. Borrower shall not allow the Property to deteriorate, reasonable wear and tear excepted. Borrower shall, at all times, maintain the Property. Borrower shall comply with all applicable Federal, state, and local statutes, ordinances, codes, regulations, requirements, and restrictive covenants, if any, upon the use of the Property. Borrower shall, to the satisfaction of Lender, promptly repair or replace any of the Property damaged by fire or other casualty. Lender and its representatives shall have the right to inspect the Property from time to time at any reasonable hour.

7. **Occupancy, Preservation, Maintenance and Protection of the Property; Borrower's Loan Application; Leaseholds.** Borrower shall occupy, establish, and use the Property as Borrower's principal residence upon execution of this EPM and shall continue to occupy the Property as Borrower's principal residence unless Lender determines that requirement will cause undue hardship for Borrower or unless extenuating circumstances exist which are beyond Borrower's control. Borrower shall notify Lender of any extenuating circumstances. Lender may inspect the Property if the Property is vacant or abandoned or the loan is in default. Lender may take reasonable action to protect and preserve such vacant or abandoned property. Borrower shall also be in default if Borrower, during the loan application process, gave materially false or inaccurate information or statements to Lender (or failed to provide Lender with any material information) in connection with the loan evidenced by the Note, including, but not limited to, representations concerning Borrower's occupancy of the Property as a principal residence. If this EPM is on a leasehold, Borrower shall comply with the provisions of the lease. If Borrower acquires fee title to the Property, the leasehold and fee title shall not be merged unless Lender agrees to the merger in writing.

8. **Prepayment; Release of Security Instrument.** Borrower shall not have the right to prepay the Note. The Note shall be considered satisfied and this

EPM shall be released only upon receipt of principal and interest pursuant to Paragraph 1 and 2 of the Note.

9. **Priorities.** Notwithstanding any other provision to the contrary, this EPM is superior to all liens on the Property, other than the HOPE Mortgage. Additionally, during the first five (5) years of the HOPE Mortgage, the Borrower shall not grant any junior lien interest in the Property unless the Borrower obtains the Lender's prior express written consent to grant a security interest in the Property to secure a loan that is essential to preserve, protect, and repair the Property (the "P&P Loan") and fulfills the following criteria:

- (A) the condition to be repaired represents a health or safety hazard;
- (B) failure to make the repair will cause the property condition to deteriorate;
- (C) the cost of the proposed repair is reasonable for the geographic market area;
- (D) the repairs are not primarily cosmetic and do not represent routine maintenance;
- (E) the P&P Loan is a closed-end loan under Federal Reserve Board's Regulation Z;

10. **Fees.** Lender may collect fees and charges authorized by this EPM or the Note.

11. **Grounds for Acceleration of Debt and Event of Default.** Upon the occurrence of an Event of Default, Lender may declare, without notice, immediately due and payable the principal and interest equivalent to the amount of Initial Equity due on the Note and all other sums which may or shall become due under this EPM or the Note.

12. **Time of the Essence.** Time is of the essence as to all dates set forth herein.

13. **Waivers.** Borrower and all endorsers, sureties and guarantors jointly and severally waive presentation for payment, demand for payment, notice of nonpayment, notice of protest, notice of dishonor, protest, notice of protest, and any and all lack of diligence or delays in collection or enforcement of this EPM.

14. **Successors and Assigns Bound.** The covenants and agreements of this EPM shall bind and benefit the successors and assigns of Lender. The covenants and agreements of Borrower under this Note are not assignable without the prior express written consent of Lender. Borrower's covenants and agreements shall be joint and several.

15. **Modifications.** This EPM shall not be modified, amended, changed, discharged, or terminated orally. This EPM may only be modified, amended, changed, discharged, or terminated by an agreement in writing signed by the party against whom enforcement of such modification, amendment, change, discharge, or termination is sought.

16. **Notices.** Any notice to Borrower provided for in this EPM shall be given by delivering it or by mailing it by first class mail unless applicable law requires use of another method. The notice shall be directed to the Property Address or any other address Borrower designates by notice to Lender. Any notice to Lender shall be given by first class mail to Lender's address stated herein or any address Lender designates by notice to Borrower. Any notice provided for in this EPM shall be deemed to have been given to Borrower or Lender when given as provided in this paragraph.

17. **Governing Law; Severability.** This EPM shall be governed by Federal law. In the event that any provision or clause of this EPM or the Note conflicts with applicable law, such conflict shall not affect other provisions of this EPM or the Note which can be given effect without the conflicting provision. To this end the provisions of this EPM and the Note are declared to be severable.

18. **Copy of Mortgage.** Borrower acknowledges that he/she has received a true copy of this EPM, read this EPM, and executed this EPM as of the date at the top of the first page.

19. **Hazardous Substances.** Borrower shall not cause or permit the presence, use, disposal, storage, or release of any Hazardous Substances on or in the Property. Borrower shall not do, nor allow anyone else to do, anything affecting the Property that is in violation of any Environmental Law. The preceding two sentences shall not apply to the presence, use, or storage on the Property of small quantities of Hazardous Substances that are generally recognized to be appropriate to normal residential uses and to maintenance of the Property.

Borrower shall promptly give Lender written notice of any investigation, claim, demand, lawsuit or other action by any governmental or regulatory agency or private party involving the Property and any Hazardous Substance or Environmental Law of which Borrower has actual knowledge. If Borrower learns, or is notified by any governmental or regulatory authority, that any removal or other remediation of any Hazardous Substances affecting the Property is necessary, Borrower shall promptly take all necessary remedial actions in accordance with Environmental Law.

As used in this paragraph, "Hazardous Substances" are those substances defined as toxic or hazardous substances by Environmental Law and the following substances: gasoline, kerosene, other flammable or toxic petroleum products, toxic pesticides and herbicides, volatile solvents, materials containing asbestos or formaldehyde, and radioactive materials. As used in this paragraph "Environmental Law" means Federal law and laws of the jurisdiction where the Property is located that relate to health, safety or environmental protection.

20. **Authority to Execute.** The Borrower executing this EPM represents that he/she has full power, authority and legal right to execute and deliver this EPM and that the debt secured hereunder constitutes a valid and binding obligation of Borrower

NON-UNIFORM COVENANTS.

Borrower and Lender further covenant and agree as follows:

21. **Foreclosure Procedure.** If Lender requires immediate payment in full under Paragraph 11, Lender may invoke the power of sale and any other remedies permitted by applicable law.

If Lender invokes the power of sale, Lender shall give notice of sale to Borrower in the manner provided in Paragraph 16. Lender shall publish and post the notice of sale, and the Property shall be sold in the manner prescribed by applicable law. Lender or its designee may purchase the Property at any sale. The proceeds of the sale shall be applied in the following order: (a) to all expenses of the sale, including, but not limited to, reasonable attorney's fees; (b) to all sums secured by this EPM; and (c) any excess to the person or persons legally entitled to it.

[The following language is mandatory in all cases.] If the Lender's interest in this EPM is held by the Secretary of Housing and Urban Development (the Secretary) and the Secretary requires immediate payment in full under Paragraph 12, the Secretary may invoke the nonjudicial power of sale provided in the Single Family Mortgage Foreclosure Act of 1994 ("Act") (12 U.S.C. 3751 et seq.) by requesting a foreclosure commissioner designated under the Act to commence foreclosure and to sell the Property as provided in the Act. Nothing in the preceding sentence shall deprive the Secretary of any rights otherwise available to a Lender under this Paragraph or applicable law.

22. **Riders to this EPM.** The following Riders are to be executed by Borrower [check box as applicable] and the covenants of each such Rider shall be incorporated into and shall amend and supplement the covenants and agreements of this EPM:

- Other [specify]:

BY SIGNING BELOW, Borrower accepts and agrees under seal to the terms contained in this Security Instrument and in any Rider(s) executed by Borrower and recorded with it.

Witnesses:

BORROWER:

By: _____(SEAL)

Name: _____

By: _____(SEAL)

Name: _____

_____ [Space Below This Line for Acknowledgement] _____

State of _____)

) ss.:

County of _____)

On the <<DAY>> day of <<MONTH>>, in the year <<YEAR>>, before me, the undersigned, a Notary Public in and for said State, personally appeared <<BORROWER>>, personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that s/he executed the same in her/his capacity, and that by her/his signature on the instrument, the individual, or the person or entity on behalf of which the individual acted, executed the instrument.

Notary Public

SCHEDULE A

[Insert legal description of property]