

MODEL FIXED RATE NOTE FORM
(HOME EQUITY CONVERSION)

FHA Case No.

State of ¹

NOTE

, 19

[Property Address]

1. DEFINITIONS

"Borrower" means each person signing at the end of this Note.
"Lender" means _____ and its successors and assigns.
"Secretary" means the Secretary of Housing and Urban Development or his or her authorized representatives.

2. BORROWER'S PROMISE TO PAY; INTEREST

In return for amounts to be advanced by Lender to or for the benefit of Borrower under the terms of a Home Equity Conversion Loan Agreement dated _____, 19____ ("Loan Agreement"), Borrower promises to pay to the order of Lender a principal amount equal to the sum of all Loan Advances made under the Loan Agreement with interest. Interest will be charged on unpaid or principal at the rate of _____ per cent (____ %) per year until the full amount of principal has been paid. Accrued interest shall be added to the principal balance as a Loan Advance at the end of each month.

3. PROMISE TO PAY SECURED

Borrower's promise to pay is secured by a mortgage, deed of trust or similar security instrument that is dated the same date as this Note and called the "Security Instrument." That Security Instrument protects the Lender from losses which might result if Borrower defaults under this Note.

4. MANNER OF PAYMENT

(A) Time

Borrower shall pay all outstanding principal and accrued interest to Lender upon receipt of a notice by Lender requiring immediate payment in full, as provided in Paragraph 6 of this Note.

(B) Place

Payment shall be made at _____ or at
such other place as Lender may designate in writing by notice to
Borrower.

(C) Limitation of liability

Borrower shall have no personal liability for payment of this Note. Lender shall enforce the debt only through sale of the Property covered by the Security Instrument ("Property"). If the Note is assigned to the Secretary, the Borrower shall not be liable for any difference between the mortgage insurance benefits paid to Lender and the outstanding indebtedness, including accrued interest, owed by Borrower at the time of the assignment.

5. BORROWER'S RIGHT TO PREPAY

A borrower receiving monthly payments under the Loan Agreement has the right to pay the debt evidenced by this Note, in whole or in part, without charge or penalty on the first day of any month. Otherwise, a Borrower has the right to pay the debt evidenced by this Note, in whole or in part, without charge or penalty after giving Lender two weeks notice. Any amount of debt prepaid will first be applied to reduce the principal balance of the Second Note described in Paragraph 10 of this Note and then to reduce the principal balance of this Note.

All prepayments of the principal balance shall be applied by Lender as follows:

First, to that portion of the principal balance representing aggregate payments for mortgage insurance premiums;

Second, to that portion of the principal balance representing aggregate payments for servicing fees;

Third, to that portion of the principal balance representing accrued interest due under the Note; and

Fourth, to the remaining portion of the principal balance.

6. IMMEDIATE PAYMENT IN FULL

(A) Death or Sale

Lender may require immediate payment in full of all outstanding principal and accrued interest if:

(i) A Borrower dies and the Property is not the principal residence of at least one surviving Borrower, or

(ii) A Borrower conveys all of his or her title to the Property and no other Borrower retains title to the Property in fee simple or on a leasehold interest as set forth in 24 CFR 296.45(a).

(B) Other Grounds

Lender may require immediate payment in full of all outstanding principal and accrued interest, upon approval by an authorized representative of the Secretary, if:

(i) The Property ceases to be the principal residence of a Borrower for reasons other than death and the Property is not the principal residence of at least one other Borrower;

(ii) For a period of longer than 12 consecutive months, a Borrower fails to physically occupy the Property because of physical or mental illness and the Property is not the principal residence of at least one other Borrower; or

(iii) An obligation of the Borrower under the Security Instrument is not performed.

(C) Payment of Costs and Expenses

If Lender has required immediate payment in full, as described above, the debt enforced through sale of the Property may include

costs and expenses including reasonable and customary attorney's fees for enforcing this Note. Such fees and costs shall bear interest from the date of disbursement at the same rate as the principal of this Note.

(D)Trusts

Conveyance of a Borrower's interest in the Property to a trust which meets the requirements of the Secretary, or conveyances of a trust's interests in the Property to a Borrower, shall not be considered a conveyance for purposes of this Paragraph. A trust shall not be considered an occupant or be considered as having a principal residence for purposes of this Paragraph.

7.WAIVERS

Borrower waives the rights of presentment and notice of dishonor. "Presentment" means the right to require Lender to demand payment of amounts due. "Notice of dishonor" means the right to require Lender to give notice to other persons that amounts due have not been paid.

8.GIVING OF NOTICES

Unless applicable law requires a different method, any notice that must be given to Borrower under this Note will be given by delivering it or by mailing it by first class mail to Borrower at the property address above or at a different address if Borrower has given Lender a notice of Borrower's different address.

Any notice that must be given to Lender under this Note will be given by first class mail to Lender at the address stated in Paragraph 4(B) or at a different address if Borrower is given a notice of that different address.

9.OBLIGATIONS OF PERSONS UNDER THIS NOTE

If more than one person signs this Note, each person is fully obligated to keep all of the promises made in this Note. Lender may enforce its rights under this Note only through sale of the Property.

10.RELATIONSHIP TO SECOND NOTE

(A)Second Note

Because Borrower will be required to repay amounts which the Secretary may make to or on behalf of Borrower pursuant to Section 255(i)(A) of the National Housing Act and the Loan Agreement, the Secretary has required Borrower to grant a Second Note to the Secretary.

(B)Relationship or Secretary Payments to this Note

Payments made by the Secretary shall not be included in the debt due under this Note unless:

(i)This Note is assigned to the Secretary; or

(ii) The Secretary accepts reimbursement by the Lender for all payments made by the Secretary.

If the circumstances described in (i) or (ii) occur, then all payments by the Secretary, including interest on the payments, shall be included in the debt.

(C)Effect on Borrower

Where there is no assignment or reimbursement as described in (B)(i) or (ii) and the Secretary makes payments to Borrower, then Borrower shall not:

(i) Be required to pay amounts owed under this Note until the Secretary has required payment in full of all outstanding principal and accrued interest under the Second Note held by Secretary, notwithstanding anything to the contrary in Paragraph 6 of this Note; or

(ii) Be obligated to pay interest or shared appreciation under this Note at any time, whether accrued before or after the payments by the Secretary, and whether or not accrued interest has been included in the principal balance of this Note, notwithstanding anything to the contrary in Paragraph 2 of the Note or any Allonge to this Note.

11.SHARED APPRECIATION /2

If Borrower has executed a Shared Appreciation Allonge, the covenants of the Allonge shall be incorporated into and supplement the covenants of this Note as if the Allonge were a part of this Note.

BY SIGNING BELOW, Borrower accepts and agrees to the terms and covenants contained in this Note. /3, /4

Borrower (SEAL)

Borrower (SEAL)

Footnotes for Model Fixed Rate Note Form
(Home Equity Conversion)

1.Either add the appropriate jurisdiction or substitute "Multistate." Use "Commonwealth of" or "Territory of" if applicable.

2.The paragraph may be omitted if Lender does not offer a shared appreciation mortgage.

3.Include any required or customary form of authentication.

4.The model note is a multistate form which requires adaptation for the following jurisdictions:

a.Alaska. Add the Borrower's Post Office address, if different from the property address.

b.Kansas. Delete "including reasonable and customary attorney's fees" from Paragraph 6(C).

c.Kentucky. Paragraph 6(C) should be changed to read:

If Lender has required immediate payment in full, as described above, the debt enforced through sale of the property may include \$500.00 for costs and expenses for enforcing this Note. Such costs and expenses shall bear interest from the date of disbursement at the same rate as the principal of this Note.

d.Louisiana. Add the following text following the Borrower's signature lines:

"NE VARIETUR" for identification with a mortgage with a mortgage given before me on 19____.

Notary qualified in _____
Parish, Louisiana

e.Puerto Rico. Mortgages and notes in Puerto Rico, and all riders and allonges, shall be written in English and interlineated with Spanish in the same manner as the FNMA/FHLMC forms for Puerto Rico. Contact the Home Mortgage Division, Office of General Counsel, at HUD Headquarters for guidance.

f.Virginia. The first sentence of Paragraph 7 should be changed to read:

"Borrowers under this Note waive the rights of presentment and notice of dishonor and waive the homestead exemption."

After the Borrower's signature lines, add:

This is to certify that this is the Note described in and secured by a Deed of Trust dated _____, 19__ on the Property located in _____, Virginia.

My Commission expires:

Notary Public