

Surplus Cash Note
Section 242

**U.S. Department of Housing
and Urban Development**
Office of Hospital Facilities

OMB Approval No. 2502-0602
(Exp. 11/30/2022)

Public Burden Statement:

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless such collection displays a valid OMB control number. Public reporting burden for this collection of information is estimated to average 30 minutes per response, including time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. The information requested is required in order to receive the benefits to be derived. Send comments regarding the burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to the U.S. Department of Housing and Urban Development, Office of the Chief Data Officer, Attention: Departmental Clearance Officer, 451 7th Street SW, Room, Washington, DC 20410 or email Hospitals@hud.gov. HUD collects this information, pursuant to Section 242 of the National Housing Act and regulations at 24 CFR Part 242, in order to review Section 242 applications to determine eligibility, underwrite insured hospital loans, ensure adequate collateral, process initial/final endorsement, manage FHA's hospital portfolio, monitor and manage risk, and ensure ongoing compliance with regulations. No confidentiality is assured.

Warning: Any person who knowingly presents a false, fictitious, or fraudulent statement or claim in a matter within the jurisdiction of the U.S. Department of Housing and Urban Development is subject to criminal penalties, civil liability, and administrative sanctions.

Project Name: _____
FHA Project No: _____

FOR VALUE RECEIVED, _____, a _____ organized and existing under the laws of _____ (“**Maker**”) promises to pay to _____, a _____ organized and existing under the laws of _____ (“**Payee**”) the sum of _____ Dollars (\$_____), payable at _____ with interest on any remaining balance of principal at _____ percent (____%) per annum payable [annually or semi-annually], commencing _____, 20__, and thereafter on the first day of _____ until the entire indebtedness has been paid. Any interest not so paid shall not create any default in the terms of this Surplus Cash Note, but shall accrue and be payable in full on the maturity date hereof. In any event, the balance of principal, if any remaining unpaid, plus accrued interest, shall be due and payable on _____, 20__ (the “**Maturity Date**”). [*The Maturity Date must be on or after the maturity date of the Borrower’s Security Instrument.*] (The definition of any capitalized term or word used herein but not defined shall have the meaning given such term in that certain Hospital Regulatory Agreement – Borrower between Maker and the U.S. Department of Housing and Urban Development (“**HUD**”) (the “**Borrower’s Regulatory Agreement**”), and/or the Borrower’s Security Instrument, as defined below.)

This Surplus Cash Note is subject to the following terms and conditions:

1. In the event that the maturity date of that certain Borrower [*Mortgage, Deed of Trust, Deed to Secure Debt, Security Deed or Other Designation as Appropriate in Jurisdiction*], Assignment of Leases, Rents and Revenue and Security Agreement, dated _____ in the principal amount of \$_____ made by Maker to _____ (“**Lender**”) in connection with the Project referenced above (the “**Borrower’s Security Instrument**”) is extended and such extension is approved by HUD then in such event the Maturity Date shall automatically be extended to the extended maturity date of the Borrower’s Security Instrument without further consent of Payee.
2. As long as HUD is the insurer or holder of the Note secured by the Borrower’s Security Instrument, payments due under this Surplus Cash Note shall be payable only from Surplus

Cash and per requirements under the Borrower's Regulatory Agreement and Commitment for Insurance (if applicable). No payments towards the Surplus Cash Note shall be made before final endorsement, unless HUD has approved. The restriction on payment imposed by this Section shall not excuse any default caused by the failure of Maker to pay the indebtedness evidenced by this Surplus Cash Note. Maker may request approval from HUD to also make payments due hereunder from sources other than income of the Project or Project sources.

3. In the event the Indebtedness secured by the Borrower's Security Instrument is paid in full and the Borrower's Security Instrument released of record, then the holder of this Surplus Cash Note may, at its option, declare the whole principal sum or any balance thereof, together with interest thereon, immediately due and payable. Notwithstanding the foregoing, in the event said indebtedness is paid in full by way of any substitute indebtedness of Maker secured by any substitute security instrument insured or held by HUD, the Maturity Date of this Surplus Cash Note shall automatically be extended to the maturity date of the substitute security instrument without the consent of Payee.
4. Any unauthorized payments, as determined by HUD, shall be immediately returned to the Project.
5. This Surplus Cash Note is non-negotiable.
6. Interest on this Surplus Cash Note shall not be compounded as long as HUD is the insurer or holder of the Note secured by the Borrower's Security Instrument.
7. Maker hereby waives presentment, demand, protest and notice of demand, protest and nonpayment of this Surplus Cash Note.
8. The terms and provisions of this Surplus Cash Note are also for the benefit of and are enforceable by HUD against any party hereto, their successors and assigns. This Surplus Cash Note shall not be modified or amended without the written consent of HUD.
- 9.

IN WITNESS WHEREOF, Maker has executed this Surplus Cash Note on this ____ day of _____, 20__.

MAKER:

By: _____

Name: _____

Title: _____

Maker and Payee hereby certify under penalty of perjury that the statements and representations of fact contained in this instrument and all documents in connection with this transaction are, to the best of their knowledge, true, accurate, and complete. This instrument has been made, presented, and delivered for the purpose of influencing an official action of HUD in insuring the Loan, and may be relied upon by HUD as a true statement of the facts contained therein.

MAKER:

By: _____

Name: _____

Title: _____

PAYEE:

By: _____

Name: _____

Title: _____